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**Boosting Growth With  
Quality Management**

**Lower Prices, More  
Computer Power**

**Senior Golf Offers  
Marketing Opportunity**

## Winning With Diversity

*The management team at New York's  
Umanoff & Parsons bakery  
knows that its diversity  
contributes to  
the company's  
success.*



SEPTEMBER 1992



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FOR CHICKEN FEED.



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PHOTO: CHARLES MOORE-BLACK STAR

**Work-force diversity** is fostered at the Stockton Record by Publisher Orage Quarles (third from left) and executives Virgil Smith, Betty Liddick, and Steve Morales. Cover Story, Page 18.



PHOTO: T. MICHAEL REZA

The quality program that helped Stevens Point Brewery survive used a team approach implemented by President Ken Shibilski, left, and plant engineer Art Oksuta. Managing, Page 25.

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# Editor's Note

## Time For An Update On Diversity



PHOTO: STEVE JENNINGS-PICTURE GROUP

Creating colorful bows blossomed into entrepreneurship for Amelia McCoy. *Making It*, Page 13.



We addressed the subject of diversity in the workplace in a cover story more than four years ago under the headline, "Meet Your New Work Force." It alerted managers to trends that would pose new challenges in shaping the teams needed to achieve company goals.

Much has happened on this subject over the past four years, and that's why Special Correspondent Sharon Nelton, who wrote the 1988 article, revisits the theme in this month's cover story. The biggest change, she reports, is a much greater awareness among small-business owners and managers of the influences that are drastically altering the makeup of their work forces.

"When I did that first article," Nelton reports, "hardly a book on the subject could be found. Since early 1991, at least a half-dozen have come on the market, and other valuable resources have proliferated. (You will find a listing of them on Page 21.)

Nelton also points out that "some observers say we are in the second generation of managing diversity. The theories and rationales were laid out in the 1980s; now we are in the action stage."

Those experts include Ann M. Morrison of the Center for Creative Leadership, in La Jolla, Calif., who has just published a study of the diversity programs in 16 successful organizations. She says: "Our job is not to convince you that diversity is an important part of your business strategy. There are plenty of people out there who will help you understand that. Our job is to tell you how to do it. And that's why some call this second-generation diversity research—it's not to say what is the value of diversity, but it really is how to achieve diversity within an organization."

You need to keep up with developments in this subject so vital to the successful operation of your business, and our update this month will surely help you do so.

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*Robert T. Gray*

Robert T. Gray  
Editor



# Nation's Business

# Letters

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## Remedies Exist To Fix Workers' Compensation

Your July cover story, "Workers' Comp Costs: Out Of Control," clearly defines the challenges facing employers, employees, and insurance providers—increased premiums, rampant medical costs, and protracted litigation.

As administrators of the Florida Chamber of Commerce Workers' Compensation Commercial Insurance Fund, we struggle with the realities of those challenges daily.

Our success in claims management is built on our operating philosophy: Workers' comp claims are to be managed, not handled, and insureds require education, not merely information. Similar efforts could be put into effect nationwide if providers would commit the time and start-up funds to such a program and if employers would insist on implementation.

The other key to tackling the workers' comp dilemma is employer involvement on a daily basis and a commitment to return-to-work programs, medical-case-management initiatives, and loss-prevention plans.

Remedies for the workers' comp crisis do exist. All of us—employer, employee, provider, and regulator—are part of the problem and therefore must become part of the solution.

Joan E. Collier

Vice President

Risk & Insurance Services Corp.  
 Sarasota, Fla.

## Injuries May Begin At Home

The article presented an accurate picture of workers' compensation reform in Oregon.

While Oregon's legislative revisions have resulted in reduced employer premiums and the potential to prevent abuses within the system, the intent of the legislative changes could be undermined by prejudices in the claims-adjudication process. These prejudices often place the burden of proof on employers and insurance carriers, not on the worker-claimant.

As an independent medical examiner, I have found that this bias results in claims that belong in the private health-insurance system being channeled into the workers' compensation system.

To a large extent, this bias in favor of the worker has been fostered by the manner in which the news media cover such so-called workplace injuries as cumulative trauma disorder and carpal tunnel syndrome. By not considering that many of these injuries could also result from a pre-existing disease or the natural aging process, many normal aches and pains and conditions not related to work are found to be work-related.

Professionals involved in claims adjudication must consider the fact that humans are subject to a wide variety of conditions, not all of which are caused by the workplace.

Peter A. Nathan, M.D.

Portland Hand Surgery  
 And Rehabilitation  
 Center  
 Portland, Ore.



## Look To Business For A Cure

I commend you on your July cover story.

While it is important that states seek to cure weaknesses in their workers' comp systems, we should not direct our attention exclusively there.

My concept is simple. Since our entire economic system is fueled by incentive, health-care facilities should join in incentive-based partnerships with business.

A health-care organization that provides optimum care to injured workers and gets them back to work as quickly as possible would be a great boon to business owners.

The payback would be greater respect in the marketplace and hence more business.

A partnership with business serves everyone—business owner, health-care provider, and, most important, the individual worker.

Samuel N. Paul

President

Industrial Health Care Co.  
 Windsor, Conn.

## Fix These Problems, Too

As a rehabilitation specialist, I have provided medical and vocational rehabilitation to injured workers in several states.

There are two important points that frequently are missed in articles on this subject.

First, certain states allow employees to choose the physician. When legal repre-



sensation is involved, the attorney often encourages clients to see physicians who are surgically aggressive or of poor quality. Surgical intervention results in a greater disability and a higher settlement.

Second, some state laws define disability based on the principle of the inability to earn pre-injury wages.

The problem arises when there is a monetary incentive not to return to gainful employment when the individual is able to do so.

*Christine Collins  
Asheville, N.C.*



PHOTO: SCARLE FILMS—THE STOCK MARKET

**Possibility teams** focus on organizational and individual strengths to improve businesses.

## She's More Than The Woman Behind The Man

I was pleased to see Seaberg Co. appear in your magazine ["Starting On A Gum Wrapper," Making It, July] but was disappointed that one of the major contributors to its development was so unceremoniously overlooked.

Cherrie Scheinberg, Seaberg's acting president, was mentioned only perfunctorily in the 14th paragraph. As one of the Scheinbergs' two daughters, I can say that this is a miswriting of history.

Cherrie Scheinberg's unending enthusiasm and energy propelled the splint's transformation from an idea into a usable product. The building of the Seaberg Co. has been an effort by both of my parents.

*Sandi Scheinberg  
Jerusalem*

## "Revolution" In The Bay State

Concerning "The Governor's Massachusetts Revolution," with the August cover story: The baloney balloon of former Massachusetts Gov. Michael Dukakis' "Massachusetts Miracle" finally burst. What has emerged with his successor,

Gov. William Weld, is a "Massachusetts Revolution." Weld is right when he says, as you quote him, "letting the profit motive and competition in on the process of government . . . can greatly benefit the state." It does so through privatization.

*Edward B. (Woody) Ryder IV  
Centerport, N.Y.*

## Possibility Teams Do More Than Solve Problems

"Turn Your Workers Into A Team" [July] was an excellent article. We would like to add one significant team to your list: possibility teams, developed by Joe Batten, our chairman of the board.

These all-inconclusive teams focus on organizational and individual strengths and ways to use them in enhancing and improving operations throughout an organization. They emphasize solutions through synergy, not problem analysis. Possibility teams turn problems into possibilities. Training in possibility thinking can help team players grasp significant opportunities for improvement.

*Leonard C. Hudson  
President  
The Batten Group  
Des Moines, Iowa*

## Traditional Values Make Sense At Work

Regarding your June Entrepreneur's Notebook, "A Strategy That Cuts Against the Grain," it is refreshing to see that young entrepreneurs are sticking to old-fashioned values. Joe Sugar is to be commended for a sound strategy.

*Scott Taylor  
Store Brand Management, Inc.  
Atlanta*

## Resource Correction

In the August cover story, "Entrepreneurs To The Rescue," there was an incorrect telephone number in the chart titled "Good Sources Of Federal Contracts For Small Firms." For information on contracting at the Nuclear Regulatory Commission, call (301) 492-4665.

Send letters to Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number.

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# Entrepreneur's Notebook

By Robert Davies

## Managing By Listening

**T**he day I came to work in a sweater and slacks was the day I realized that listening to your employees is good not only for them but for their managers as well.

Before I started my computer-services firm in 1980, I had worked in various levels of management at six other companies and as an officer in the U.S. Navy. While none of the companies had dress codes as strict as the military's, male managers were expected to wear a suit and tie to work, and women had similar standards.

When I founded my own firm, SBT Corp., I continued this policy and the strong, authoritarian management style I had learned. I changed only when the company focus changed a few years later.

SBT began as a systems integrator, offering solutions to people who worked with computers. In our second year, we landed a large client. But when we sent our invoices, the company sent them back with a note instead of a check: "Needs our complete 20-digit purchase order number." The problem was that our invoice program would print only 10-digit purchase order numbers.

Back then, if your accounting software didn't fit your business, you had to change your business to fit the program.

After spending several weekends creating a program that could handle 20-digit purchase order numbers, I realized I was on to something. Because businesses and

their needs are changing all the time, I began thinking, maybe other people were having the same problem. Why couldn't I give them software that could be changed to fit their exact needs?

That was when I decided to turn SBT into an accounting-software company, and that's when I started to change my management style.

SBT specializes in giving customers the "source code" that allows them to change their programs to fit their special needs. The source code, in non-technical language, consists of the detailed program instructions that determine how the programs do their job inside the computer. SBT also puts customers in touch with experienced consultants who can help them with their changes.

Our business has now grown to \$10 million a year. During the transition from a small firm of about 10 employees to our present size of more than 80 employees, I had to

make some fundamental changes in my management style.

Just as I had to create flexible accounting software to meet the needs of my original firm's customers, I had to become more flexible as a manager to keep our employees motivated.

To encourage an environment where employees have a voice in company decision making, I formed a group of 15 line managers who meet weekly. We include two employees at each meeting; all they have to do is sign up. This way, we hear ideas from all levels of the organization.

Yet forming groups and changing your management style means little unless you really "hear" what your employees are saying and unless they are willing to risk telling you what they really think. To accomplish this, we've developed a special E-mail suggestion system. Connected to

more than 100 stations on our computer network, this electronic suggestion box lets all SBT employees pass along new ideas or make direct requests to me. A special password enables employees to leave their suggestions anonymously.

Over the past six months, more than a hundred suggestions have come into my office. Several have saved us considerable money. Of course, by promising to read and consider every suggestion, I sometimes put myself in a difficult position. Case in point: the company dress code.

Because I had always worked in places with a strict dress code, I didn't want to change it. But as suggestions for a more relaxed code kept making their way to me, I started to think that if it motivated my employees, why not?

So last October, I reluctantly agreed to experiment with suspending the old dress code in favor of more casual attire. At the end of the year, we made it permanent.

Interestingly, after trying the new system, I no longer feel comfortable in a suit and tie. Unless I'm giving a seminar or hosting an important guest, I usually wear a sweater and an open shirt.

Best of all, the employees now find me more approachable because I feel more comfortable and don't look as intimidating. And that makes it easier, I think, for me to be receptive to their ideas, too. And when you have 80 people contributing, you have a veritable "idea factory." From the receptionist to the programmer, I never know who will give us the next great suggestion.

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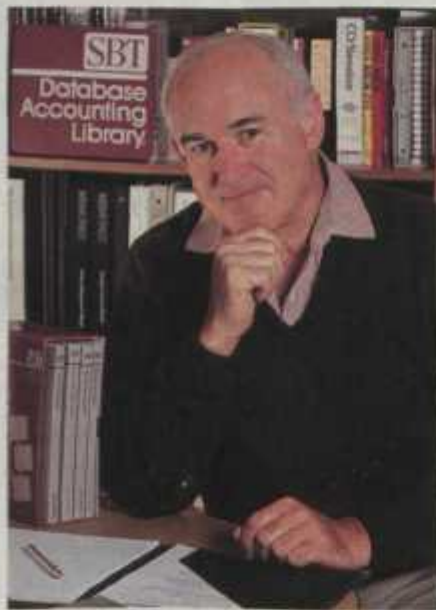


PHOTO: LINDA BUE SCOTT

**Robert Davies:** "I had to become more flexible as a manager."

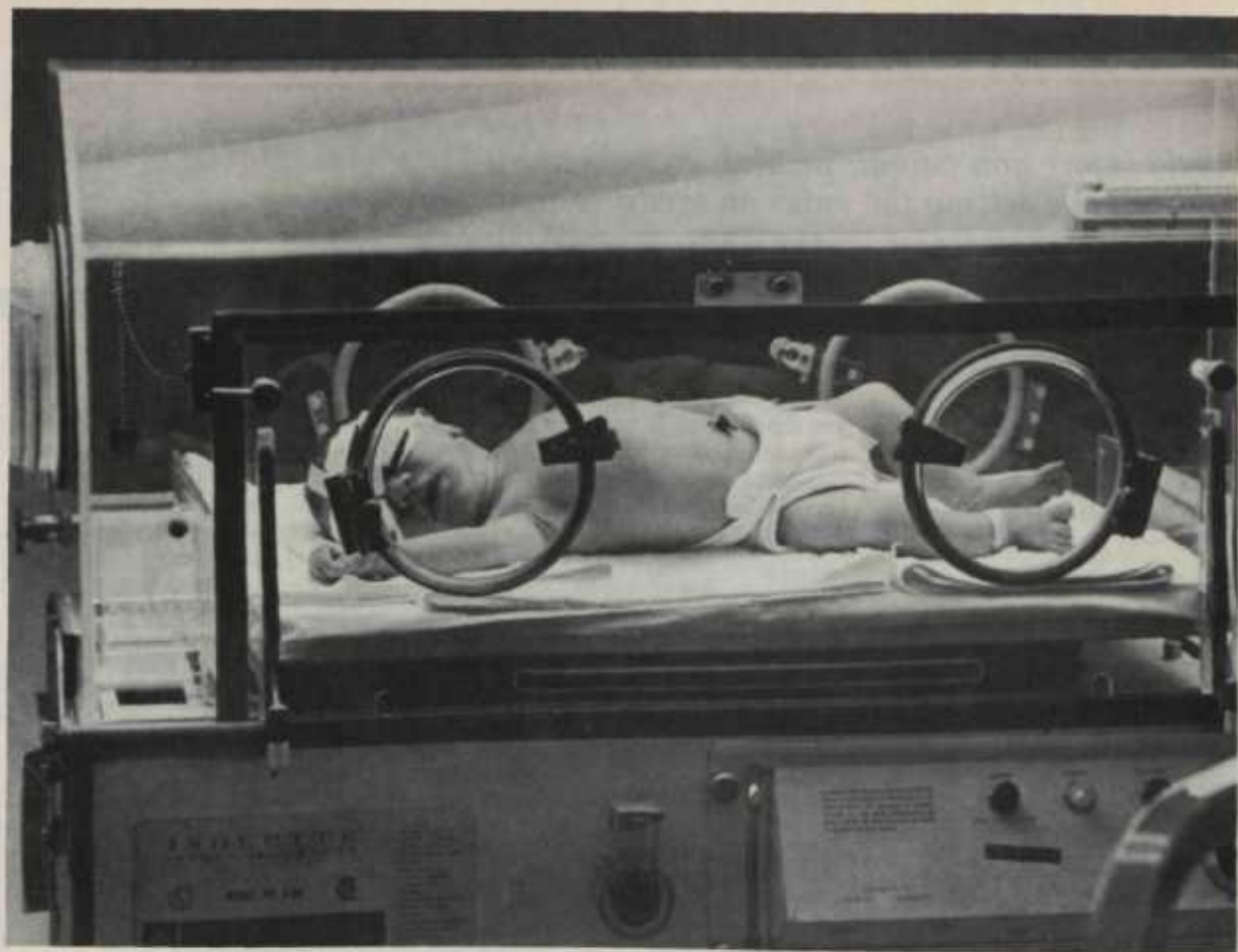
Robert Davies is founder and president of SBT Corp., in Sausalito, Calif.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

### What I Learned

*Over time, we've implemented a management-by-consensus approach. While there are still decisions that I make alone or overrule, I've learned that if there's no consensus, I probably won't have broad support, and employees who aren't supportive aren't motivated to do their best.*





For around \$70,000, her life could be saved.

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Her parents' health care plan didn't cover the few hundred dollars they needed for pre-natal care.

Ironically, the treatment she needed as a result of her low birthweight was covered in full.

In fact, many medical plans don't pay for the checkups, tests, and other measures

that would help participants stay healthy. They only provide benefits once a participant has become sick.


And in financial and emotional terms, the pound of cure is often far more costly than the ounce of prevention. That's why, at The Prudential, we strongly support the wider use of managed care programs that put an increased emphasis on preventive medicine.

Such programs help participants maintain their good health and allow doctors to discover illnesses in early, more easily treatable stages. So as a result, they also help control the spiraling cost of health care overall.

But ultimately, managed care programs can save something much more important than money: they can save

people from unnecessary suffering.

To find out more, write: New Approaches to Health Care, The Prudential, 751 Broad Street, 16th Fl., Newark, N.J. 07102-3777.

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# Managing Your Small Business

*What to do before you patent; picking successors in nonfamily firms; setting the rules on credit for customers.*

By Bradford McKee

## INNOVATION

### Show, Tell, And Listen Before You Seek A Patent

Before rushing out to apply for a patent for your invention, says inventor and entrepreneur Gregory Lehtman, you should show a prototype to others, know its "history," and be sure it is neither

"You should never fall in love with your prototype."

Once you do have a prototype, however, you should show it to as many people as possible, Lehtman says, and listen closely to their ideas for improving it, because their reactions may be like your typical customer's. "You cannot sell something that your brain creates but that your market won't absorb," he says.

Chances are you were not the first to think of your idea, Lehtman says, so you must be able to defend it in a historical context: Has anyone ever tried to make such a thing before? When? Did it work? Why not? How was it different? How was it similar? "People fall in love with their inventions," he says, "and little work is done in analyzing the marketplace and the history of the invention."

Being timely with your invention is tricky, but you'll know by the reactions of others whether you're too far behind or ahead of the times with your creation.

Lehtman showed his inventions to others before concluding that it was time to offer them to consumers. His products include the Exerloper, a running shoe lined with springboard soles to absorb shock, and Insta-Pulse, a hand-held heart-rate monitor.



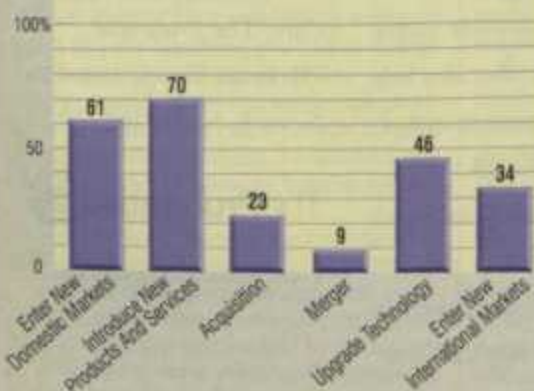
PHOTO: JONATHAN WEAR

Gregory Lehtman with his Exerloper running shoe.

behind the times nor ahead of its time.

Russian-born Lehtman, inventor of several consumer fitness products and founder of Biosig Instruments Inc., in Plattsburgh, N.Y., says a great invention usually reflects a "conglomeration of efforts." Inventors who hoard their ideas rather than seek input from others seldom develop inventions fully, he says.

## How Companies Plan To Expand In 1993



Source: Ernst & Young

CHART: AMAL EL-SADANY

The introduction of new products and services is the preferred route of entrepreneurs hoping to expand in 1993, a survey shows.

The accounting firm of Ernst & Young asked members of the Institute of American Entrepreneurs which strategy they plan to pursue in search of growth.

Here are the results by percentages of the 259 respondents planning to adopt various strategies. (Some respondents answered yes to more than one option.)

## CREDIT

### How Much Risk Is Right For You?

The liberalness of your credit policy can have a big impact on your company's performance, and you should consider just how liberal or restrictive you want the policy to be before you put your terms in writing, says Larry Winters, director of small-business services for Dun & Bradstreet, the New York City-based business-information company.

According to Winters, a liberal policy might be stated this way: "We make every reasonable effort to extend credit to all customers recommended by sales management, provided a suitable credit basis can be developed." Such an approach will maximize sales volume and keep production and inventory humming, he says, but it may hurt your cash flow and overwork your collection staff.

A more conservative credit policy might be stated this way: "Credit lines will be extended only to the most-credit-worthy accounts. New customers that fail to meet our credit criteria will need to buy on cash-on-demand terms until they can establish their ability and willingness to pay monthly credit lines within our terms."

This type of approach may discourage sales and result in higher production and inventory costs, says Winters, but your bad debts will be fewer, and you'll probably screen out potential delinquent payers.

## PLANNING

### Nonfamily Firms Need Successors, Too

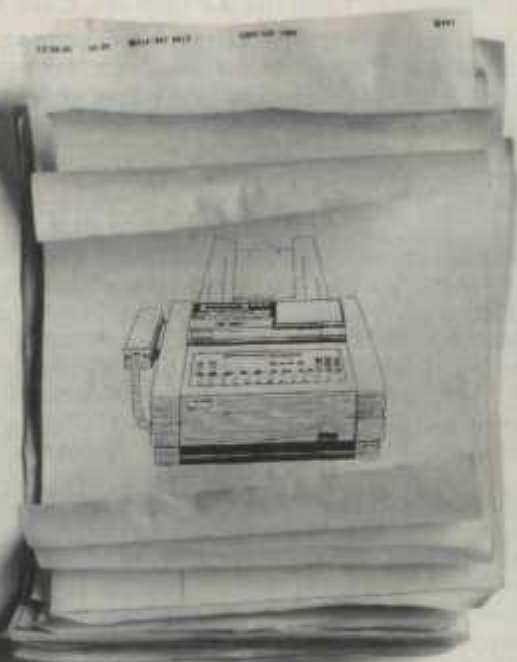
Picking successors in a firm not run by family members can be a delicate process for a small-business owner, and ideally it should be started long before it has to be completed.

Christopher Jaffe started planning to reorganize his sole proprietorship, Jaffe Acoustics Inc., in Norwalk, Conn., 10 years ago. This past June, Jaffe, who is 64, turned the firm into a partnership-run, employee-owned company.

The 33-year-old company, now called Jaffe Holden Scarbrough Acoustics Inc., designs acoustically correct spaces in buildings such as churches, theaters, and concert halls. Because its work is so specialized and because projects may require attention over many years, the



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firm's clients want to be certain that the company will last and that its service will be available when needed. "Clients are concerned that there be a good, strong support staff," says Jaffe.

Five years ago, Jaffe began giving company stock as bonuses to his two senior consultants and logical successors, Mark Holden and Paul Scarbrough, and also to his daughter, Irene Jaffe, the only family member in the business. By this year, the three held the majority of stock; the rest is owned by the other 12 employees.

Before creating the new partnership, Jaffe says, he had to help his younger colleagues gain credibility in the eyes of clients.

"You have to have your principals and associates brought into the picture so you're not the only one clients want to see in meetings," he says. "Many business owners have not been able to do that.



PHOTO: SALAN DORON

**Designers of acoustically correct spaces:** from left, Mark Holden, Paul Scarbrough, Irene Jaffe, Christopher Jaffe, and Stephanie Snow

Sometimes the ego gets in the way. Sometimes people hang on to the bitter end because there's no planning done to move this [succession process] forward."

In planning the transition, Jaffe says, he had to consider not just the successors' philosophy of design but also their "com-

patibility of temperament... and how people deal with employees." He says clients and colleagues have been congratulating him on being "free enough" to hand over the helm. The planning was complex and time-consuming, though, he says. "It's kept me up nights for years."

## MARKETING

### How To Keep Your Name On The Minds Of Clients

Promotional pieces such as calendars, posters, and the like can give your company far longer exposure than throw-away fliers, according to some firms that use posters.

One is Carpenter Reserve Printing Co., in Cleveland. The company puts its marketing message on 20-by-28-inch calendar-posters that it has handed out four times a year since 1984.

The company's identity is tied to the image of an apple, obliquely suggesting that because of its distinctive qualities, the firm cannot be compared with any other, just as apples cannot be compared with oranges. Each limited-edition poster plays with that theme.

The posters are "eagerly anticipated" by customers each quarter, and many clients collect them, says Lynn Brewton, sales manager at Carpenter Reserve Printing. "It's been a great tool for us. We try to get different artists each time, a different concept."

A similar promotional idea is carried out jointly by a graphic-design company

and a printing firm in the New York City area. Notovitz Design Inc. and Compton Press teamed up on an "experimental" poster that the firms say dazzles the senses with its innovative multidimensional surfaces. The poster displays the names and shows off the talents of each company.

Designer Joseph Notovitz says that "standing apart from our competition is constantly growing more difficult, especially in the age of computer technology," which is putting graphic-design tools in the hands of more and more computer users. "Providing excellent, prompt service is often not enough," says Notovitz, so the poster serves as an extra reminder of the company's special capabilities.

Notovitz says that probably more than half of the 500 posters his firm sent out in 1991 are still hanging in clients' offices.

### A Tailored Approach

Wine Enthusiasts Inc., a wine-accessories company in Hawthorne, N.Y., has adopted what it calls "segment-of-one" marketing. Using its own databases on customers as well as information on them from other

consumer-information banks, the company draws profiles of the buying habits of each purchaser. The information is not just about the wines they like but also about the cars they buy, the sports they enjoy, and so on. With that data, the firm promotes specialties—such as a golf-ball corkscrew to a customer who plays golf. Whole sections of catalogs are geared toward individual customers' preferences.

Is this approach expensive? "Yes," says Tod Buckley, vice president of sales and marketing, "but it's profitable."

## NB TIPS

### Machine Shops For The '90s

Small machine shops feeling pressure to automate can get four new how-to guides on the subject from the National Institute of Standards and Technology. The four booklets are grouped in a set called "Shop of the '90s." They contain, among other things, suggestions for rating your machine tools and choosing computer-aided design tools as well as a five-step plan for switching to computer-aided design and manufacturing. Single sets of the booklets are free while supplies last.

Write to Shop of the '90s, Room 136, Shops Building, NIST, Gaithersburg, Md. 20899.

### Loans And Programs For Veterans

A reminder for entrepreneurs who are war veterans: The Small Business Administration has special business-development programs for you. Direct loans are still available to Vietnam veterans and those with disabilities of certain types. The agency also offers veterans' programs in entrepreneurial training. For more information, call the Small Business Administration's Answer Desk: 1-800-827-5722.

## INCENTIVES

### Offering Employees A Broom Of Their Own

Cleaning parking lots at malls and strip centers is, "let's face it, not the most glamorous job," says Clayton Boyd, president of Sweeping Doctor, in Wood Dale, Ill.

So Boyd has to offer attractive incentives, he says, if he wants to minimize turnover among his 30 full-time trained employees. His way of keeping employees on the payroll—and thus cutting the costs of high turnover—is to help turn them into subcontractors.

Once a sweeper is trained, says Boyd, "if he's really striving to get somewhere, we'll sell him the truck. He can make more money on it." So can Boyd. Employees who finance their own trucks act as their own brokers on the Chicago-area sweeping routes lined up by Boyd's firm, "and we take 8 percent off the top," he says.

Now, employees with their own trucks can make as much as \$4,500 a month rather than \$1,200, Boyd says, although they must pay for their own insurance and for upkeep of the truck.

Eight of Boyd's 30 employees have taken him up on the option.



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# Dateline: Washington

*Business news in brief from the nation's capital.*

## BUSINESS COSTS

### Congress Is Urged To Protect Small Shippers

Congress is being urged to act quickly to protect thousands of businesses faced with additional charges for truck-shipping bills they consider paid in full. Smaller businesses could be hit particularly hard by the charges, which total more than \$30 billion.

The issue affects discount rates that were negotiated by businesses and trucking companies but were less than charges then specified by the Interstate Commerce Commission (ICC). Many of the trucking companies involved have since gone into bankruptcy, and their auditors are now billing shippers for the difference between what they paid and the ICC tariff.

In a 1990 decision, the U.S. Supreme Court ruled the practice was unfair but legal. The court also said Congress could deal with the problems that had arisen. Following up, the Senate Commerce, Science and Transportation Committee approved the Undercharge Equity Act of 1992 to provide relief to affected shippers. Among its provisions is one that would let small firms satisfy a claim by paying 5 percent of the difference between the ICC rate and what they had paid.

In urging Congress to move quickly to complete action on the measure, the U.S.



PHOTO: GETTY IMAGES—THE STOCK MARKET

**Firms' trucking discounts would be protected by a Senate bill.**

Chamber of Commerce said shippers wanting to stay in business "will have no choice but to pass these costs on to consumers. A sluggish economic recovery is at grave risk of slamming to a halt."

Small businesses find it a lose-lose situation, the Chamber said: "They cannot afford to pay these unfair charges, nor can they afford the litigation fees to defend against them."

—Robert T. Gray

### Business Mobilizes Grass Roots On Product-Liability Reform

Business has shifted its grass-roots lobbying machinery into high gear in support of product-liability reform legislation in-

roduced by Sen. Robert W. Kasten Jr., R-Wis.

A vote is scheduled this month on the Kasten proposal (S. 640) to pre-empt 51 differing, sometimes conflicting state product-liability laws with a uniform federal statute that would benefit businesses by limiting damage awards and reducing legal costs. "Not only do small manufacturers and retailers suffer under the current product-liability regimen, but so do workers who see their employers go out of business and consumers who see prices rise," says Tyler Wilson, regulatory affairs manager of the U.S. Chamber of Commerce,

which is spearheading the grass-roots lobbying effort.

"The entire Chamber federation of businesses, local and state chambers of commerce, and trade and professional associations is committed to enacting product-liability legislation this year," says Wilson. "The first step is the Senate in September; then we'll go from there."

Business efforts to gain product-liability reforms have been stymied for years by congressional inaction and stalemate. But now the Chamber and other cooperating business organizations are guardedly optimistic about the prospects for victory, according to Wilson, in part because S. 640 has 40 co-sponsors.

—Albert G. Holzinger

## COMPANY ASSISTANCE

### Anti-Drug Programs Tailored To Small And Mid-sized Firms

Small and mid-sized companies now can get low-cost, high-quality assistance in setting up drug-free-workplace programs. The President's Drug Advisory Council recently unveiled a model program that it hopes to make available to every business that wants to fight workplace drug use.

While nearly 90 percent of all large companies have anti-drug policies in place, most small and mid-sized firms don't have the time, money, or expertise to set up such programs. The Drugs Don't Work program is designed specifically to help those companies set up the right program at an affordable price.

Nearly 200 business leaders and labor union representatives from 27 states attended a July 22 White House ceremony hosted by President Bush to unveil the new program.

On the national level, the Drugs Don't Work program will offer businesses free booklets providing step-by-step guidance on writing a basic drug-free-workplace policy for a company.

At the state level, the program will enlist corporate sponsors to provide the funds and leadership to develop local drug-free-workplace coalitions through local chambers of commerce or other business organizations. These coalitions will provide resources for policy development, management training, drug screening, and employee-assistance programs.

The U.S. Chamber of Commerce will assist local chambers in setting up the Drugs Don't Work program.

Tough workplace anti-drug programs are needed because about two-thirds of all drug users are employed, says James E. Burke, chairman of the President's Drug Advisory Council. And they cost businesses as much as \$60 billion a year in increased medical expenses, workers' compensation claims, and lost time and productivity.

To find out more about the Drugs Don't Work program, you can call the National Institute on Drug Abuse. The agency's toll-free help line, in operation between 9 a.m. and 8 p.m. Eastern time, is 1-800-843-4971.

—Roger Thompson



# Making It

*Growing businesses share their experiences in creating and marketing new products and services.*



PHOTO: STEVE JENNINGS-PICTURE GROUP

## Rainbows 'Round Her Shoulders

By Michael Barrier

**A**melia McCoy says that in nearly every photograph of her as a schoolgirl in rural Hughes County, Okla., "there's a bow in my hair. I made bows out of everything." McCoy has always loved to make bows, but it was not until she was in her 50s that she realized she could build a business on her handiwork.

Today, at 66, McCoy presides over Rainbows and Halos, a Lamar, Okla., firm that sells its brightly colored "hair accessories" to millions of girls and women across the country. More than 60 percent of its revenue comes from the giant Wal-Mart chain; it also makes bows for the employees of three major airlines and the Wendy's fast-food stores. McCoy expects sales this year of around \$12 million.

McCoy herself now wears not a bow, but a prestigious title: At a Rose Garden ceremony in May, President Bush hailed

her as the Small Business Administration's Small Business Person of the Year for 1992.

It was not until the 1970s that McCoy started making bows on a grand scale. It was after the arrival of her first granddaughter that her daughter came to her, she recalls, and said: "Mom, you always made bows for me. Now make Misty some bows." Soon after, McCoy says, "Misty was covered up with bows."

As three more granddaughters arrived (she and her husband, George, have two sons, one daughter, and seven grandchildren), McCoy made still more bows, until, she says, "they had bows to go with every outfit they had." Other people saw those bows, liked them, and asked McCoy to make more. "They'd bring dresses," she recalls, "and I'd make bows to match the dress. If they'd give me two or three dollars, it'd tickle me to death."

But mostly she gave her bows away. "I

Oklahoma entrepreneur Amelia McCoy used to give her bows away to her family and friends, but this year she'll sell \$12 million worth.

was always happy if people just wanted them," she says, "because I loved to make them so well."

Finally, though, "I got more bows than my granddaughters could wear or I could give away," McCoy says. She tried selling bows at craft shows, and her success there emboldened her to approach the manager of the Wal-Mart store at Holdenville, the county seat.

Soon after, she got the opportunity to display her bows to the managers of about a dozen Wal-Mart stores in her part of southeastern Oklahoma. Wal-Mart had given the go-ahead for the managers to put the bows in their stores—if they wanted them.

"I was a farmer and rancher," McCoy says, "and believe me, I had never done anything like this. This is when I prayed. I said, 'Lord, if it's your will that I have a business, would you open the door for me.' I went to this district meeting, and these



## MAKING IT

men received me with open arms."

The store managers liked the bows almost too much. It was early December 1978, and they wanted bows in time for Christmas—but McCoy didn't have any, except for the ones she was showing that day. When she returned home, she spent the whole night making bows. She later recruited a few other women to help her by making bows in their homes.

McCoy herself sold bows in Wal-Mart stores every day, as a Christmas promotion, and she took advantage of lulls in customer traffic to make more bows. She even made bows to order, while customers were shopping elsewhere in the store.



**In a White House ceremony, President Bush names McCoy the Small Business Person of the Year.**

The in-store promotions continued for a year or so, as McCoy traveled to Wal-Mart stores in Oklahoma and Texas. The bows were so well received, she says—customers kept asking for them, after she had left a store—that eventually she got the go-ahead to put fixtures into the stores, with permanent displays of bows. Soon Rainbows and Halos was in Wal-Mart stores in five states. After that, Wal-Mart's headquarters cleared the bows for sale in any store that wanted them. Now she ships thousands of bows to Wal-Mart's distribution centers every two weeks.

As the business grew, it swallowed up McCoy's home, where she made bows at her dining-room table. "Being farmers and ranchers," she says, "our work was all in the summertime." In the winter, "someone would come to our house and play canasta almost every night." So intense was her enthusiasm for her new business, she says, "that I couldn't wait for everyone to leave. I'd work right through the night; many times I saw the sun come up."

McCoy had just a handful of women making bows for her in those early days. Today she pays around 450 local people, men as well as women, at piecework rates

to make the bows in their homes; most of the bows require no sewing, although some must be assembled with wire and glue. Most of her home workers make bows to supplement their income from other jobs, McCoy says, but "I have a lot of people who are getting off of welfare." Rainbows and Halos also has a dozen full-time employees.

McCoy brought no business experience to her new company. She never finished high school; she married at 16 (the McCoy's will celebrate their golden anniversary on Oct. 31). But she had assets that turned out to be more important.

For one thing, she had her husband's support: "Once he got over the shock that I wasn't going to cook three hot meals every day, and keep the house spick-and-span, and see that his Levi's were ironed, he got right in there and helped. He actually made bows."

Another asset was her focus from the start on offering a quality product: "I always knew that anything you do, you go for it. So when I began to make bows, I thought they had to be the best. I still feel that way today. Our bows don't fall apart before you get to the car with them."

Despite her success selling high-quality bows, McCoy says that Rainbows and Halos is under constant siege from low-priced imitations made overseas. "The only way I can beat that," she says, "is to design continuously," so that eye-catching new bows flow steadily into the stores.

She used to design all the bows herself, but now she uses designs from other sources, too—sometimes the women who make the bows come up with new designs. She has not yet turned to a professional designer for help.

For all its success, Rainbows and Halos remains very much a part of rural Oklahoma. Its headquarters—enlarged several times since McCoy's son Ben built it for her 10 years ago—sits in isolation beside a country road, a few miles off a lightly traveled highway. McCoy has always lived in Hughes County, and it has shaped her values: A large photographic portrait of her family dominates one wall of her office, and a Bible is on display.

McCoy says she's going to write a book called *Those Who Stayed*. "It's going to be the reverse of *The Grapes of Wrath*," she says. "It's going to let people know Oklahoma is beautiful, Oklahoma is good. We're down-to-earth, caring people." ■

## Are They Still Making It?

By Michael Barrier

*From time to time, we'll take a look back and see what has happened to some of the businesses featured in Making It.*

In our March 1991 issue, we wrote about the California Pizza Kitchen chain, which staked out a middle ground between fast food and formal dining. CPK offered "designer pizzas" of the kind made famous by gourmet restaurants, but at moderate prices and in a casual atmosphere.

Founded in 1985 by two Los Angeles lawyers, Richard Rosenfield and Larry Flax, CPK in its first six years enjoyed unblemished success. By the time our article appeared, the chain had grown to 16 restaurants, spread across the U.S.

Flax and Rosenfield talked then of taking CPK public in a few years, but they rejected the idea of cashing out. "It would kill me," Flax said, "to sell now for \$100 million and sit on the sidelines and watch somebody else either destroy it or do great with it."

Last May, Flax and Rosenfield found a way to have their pizza and eat it, too. PepsiCo, the giant food company, paid a reported \$71.6 million for a 50 percent stake in CPK, under terms that leave Flax and Rosenfield in charge, as co-chief executive officers.

The two founders retain a total of just 28 percent of CPK's stock—down from 60 percent before—but the deal leaves voting control on the four-member board split evenly between them and PepsiCo.

Its investment in California Pizza Kitchen gives PepsiCo—already a major player in fast food, through its KFC, Pizza Hut, and Taco Bell chains—a significant role in the booming casual-dining market. CPK benefits from an infusion of cash; Flax says that the company was growing so rapidly that "we needed the money." Thanks to the PepsiCo deal, CPK will now step up its openings from one to two a month. CPK's restaurants now total 28, all but two company-owned. Annual sales are running around \$60 million.

CPK will benefit as well, Flax says, from PepsiCo's buying power and its expertise in international markets.

CPK's rapid growth made going public impractical, Flax says, because "we kept building ourselves into a hole, with depreciation and amortization. We had tremendous cash flow, but the earnings didn't look that great. We would have been selling the company at a public offering for a lot less than it was really worth." ■



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# A New Midwestern Crop

By Cheryl Jarvis

The 12 phone lines at St. Louis' Talent Plus start ringing at 9 a.m. and continue ringing all day long, past closing time, sometimes past midnight. Many of the calls are from those who want to buy talent: a movie studio looking for young twins; a television network wanting help with a cross-country talent search; a big business needing a headline celebrity speaker; an ad agency needing Batman and Robin voices. A modeling agency in Tokyo asks, "Do you have any new faces?"

The rest of the calls (certainly the 2 a.m. ones on voice mail) are from those who want to be talent—aspiring models, actors, and announcers. Two hundred call each month for voice work alone. And every day, every hour, there are calls from mothers. Some want to sign up their children to model before they are even born.

The woman who created this field of show-biz dreams in the unlikely Midwest is St. Louis native Sharon Lee-Tucci. As founder, owner, and president of Talent Plus, she oversees a company that represents 700 clients, contracts for work from some 2,400 talent buyers, and generates annual revenues of over \$3 million. Her models pose for fashion shoots in Paris, Milan, and Tokyo. Her actors audition for parts in shows produced by Disney, NBC, and CBS—without ever leaving home.

Here's how it works: Let's say a West Coast casting agent is looking for a particular type for a recurring role in a new television series. The agent can't find what she's looking for in Los Angeles, so she faxes portions of the script to Talent Plus. The agency calls local actors, who pick up the script, then return the next day to act the scene on videotape. The tape goes to California that evening by Federal Express. In two days, an unknown has a genuine shot at stardom.

Lee-Tucci, 41, envisioned none of this back in the mid-1970s, when she dropped out of college, planning to become an airline stewardess. Not getting hired led her to modeling school, where she hoped to conquer her shyness and improve her interview skills. After she finished a course, she began working there—teaching classes, modeling, and placing models. "I didn't like the school part or the modeling itself," she says, "but I discovered I really liked the business/agency side of it."

She borrowed \$1,500 from her parents and, with one phone line in a one-room

office, founded Talent Plus. For six months, she was the only staff. "I had no specific plans or aspirations," she says. "I just saw an opportunity." She gave herself three years.

The talent hopefuls came quickly, mostly by word-of-mouth. Lee-Tucci signed "only the best," aggressively marketed them with high-quality direct-mail promotional materials (the talent paid for

The agency's cut is 20 percent. (Commissions for other kinds of placements range from 5 to 20 percent.)

In spite of the abundance of work and talent, the recession took its toll. "Last year was the first time I was ever worried," she says. "We pay our models in advance, so collection became a big issue. I ended up [severing] some accounts that didn't pay. I discovered you can choose who you do business with."

No one is more surprised by the growth of the company than the owner herself. "A lot of it was timing," she says. "The work just snowballed." She has moved her offices to larger quarters four times.



PHOTO © MARK KATZMAN

Sharon Lee-Tucci, whose St. Louis agency, Talent Plus, puts Midwestern talent on Hollywood screens, meets with a young hopeful.

their own photographs, audio and visual demo tapes, and resumes), then followed up the mailings with phone calls. She also offered audition services right at the agency, so clients knew what they were buying. At the same time, she sought out women at ad agencies as an informal support group and got involved with the city's Ad Club. Within two years, she was making a profit.

Lee-Tucci continues to innovate and expand. When requests started coming in for celebrities to headline at corporate events, she opened a speakers' bureau. While regional talent typically earns \$700 to \$1,000 for a speaking engagement, Lee-Tucci has booked such national celebrities as Bruce Jenner, Robin Leach, and Harry Anderson for as much as \$75,000.

Today the agency is housed in a 6,000-square-foot Federal-style mansion in the city's Central West End. Each aspect of the business (acting, modeling, speaking) has its own separate floor.

But some things haven't changed. Lee-Tucci still works 10 to 14 hours a day, mostly over the phone, with her electronic Rolodex close at hand. When staff members (nine in St. Louis, three in Kansas City) go on vacation, she takes over their jobs. Those weeks, she often works till midnight.

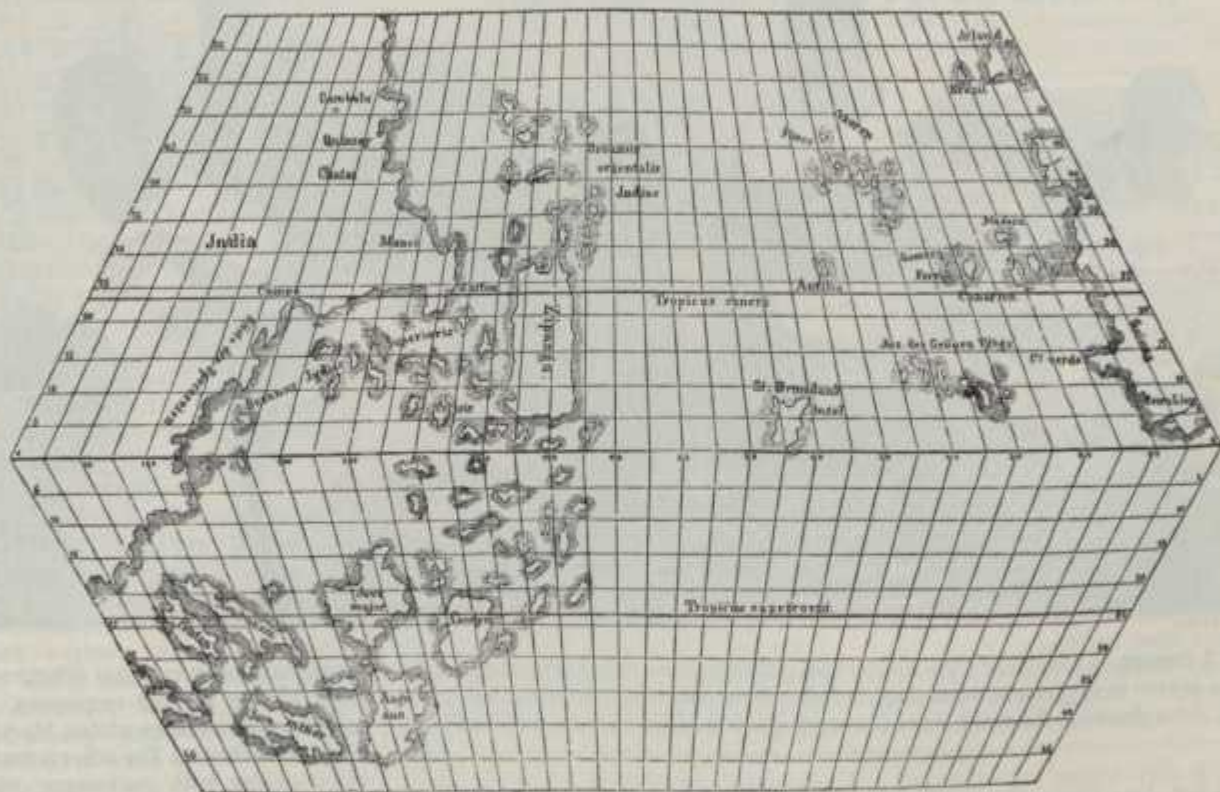
"Our market has changed so much the past two years," she says. "And I see even more national placement in the years ahead. More than anything, it's been networking. Phone numbers are my life."

Cheryl Jarvis is a free-lance writer in St. Louis.



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## COVER STORY

# Winning With Diversity

By Sharon Nelton



PHOTO: SHARON NELTON

**Umanoff & Parsons**, a New York City bakery and catering firm, has deliberately built a diverse senior management team that includes, from left, Lawrence Louison, Bo Parsons, Jean-Baptiste Brouard, Jane Umanoff, Karina Simo, and Jean Petit-Blanc.

**W**hen Jane Umanoff and Allen B. (Bo) Parsons started a bakery and catering company 15 years ago in New York City, most of their employees were aspiring actors and dancers, mainly white native-born Americans, who worked for them part time.

As the bakery began to grow, however, they found they needed a full-time work force. The first person they hired was a Haitian cleaning man. When they needed another employee, the cleaning man suggested another Haitian. And so it went. "Our original [full-time] staff was quite incredible," recalls Umanoff, who, like Parsons, is white and American-born. "They were very, very smart, dedicated, ambitious people."

The company, Umanoff & Parsons, now does \$2 million worth of business a year and has 35 employees. About 90 percent of them are foreign-born—from Haiti, Tri-

nidad, Jamaica, Grenada, the Dominican Republic, and Russia. And that suits Umanoff and Parsons, a husband-wife team, just fine.

Like many business owners throughout the country, they are finding that the labor pool is changing—the ranks of women, minorities, and immigrants are increasing, and those of white males are declining. But Umanoff and Parsons found that they could recruit excellent workers by extending their search beyond the traditional white male candidates. And because they learned early, by trial and error, how to manage a diverse work force, they have built a successful and extremely loyal team.

Other small companies are starting to manage for diversity in a more deliberate way. Debi Kelly, human-resources director for Trader Publications, in San Diego, says that her company has two main

concerns. One is creating effective teamwork among its 230 employees, whose makeup now includes whites, blacks, Hispanics, and Asians. The other is managing relationships with customers, who are also growing more diverse.

Trader publishes a variety of magazines that carry classified advertisements for vehicles, boats, houses, and other items. A female employee took offense recently when a client, a male car dealer from the Middle East, demanded to be waited on by a male. As she usually does, the woman began to photograph the vehicle that the man wanted to sell. He tried to pull the camera away from her. A fracas ensued, and police were called.

"It got way out of control," says Kelly. Even though the customer was not right in insisting that a man wait on him, he intended no insult, she says, and if the employee had understood more about his culture, she could have handled the situation differently.

Trader wants to address any problems it may have in dealing with diversity, Kelly says. Training to help employees



*With the numbers of women, minorities, and immigrants on the rise in the work force, strategies for managing diversity are more important than ever.*



learn to deal with customers from a variety of cultures will begin in September.

The efforts of companies like Trader represent a continuing echo of an alert sounded five years ago in one of the first significant commentaries on the subject of workplace diversity. *Workforce 2000*, a landmark report from the Hudson Institute, a policy-research organization in Indianapolis, startled American business with its revelations of how the labor pool was changing dramatically.

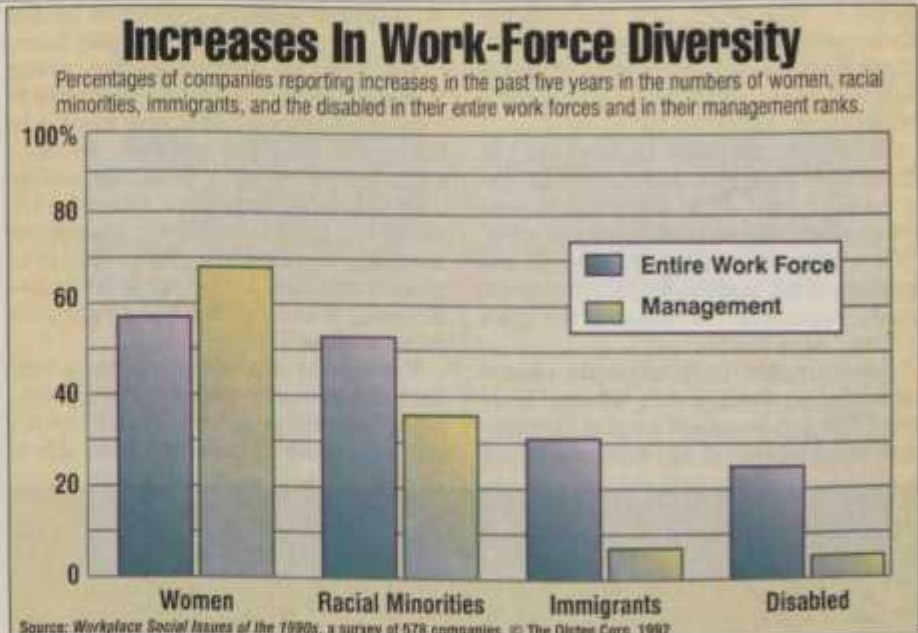
The report showed that white males were already in a minority in the workplace, and it forecast that 85 percent of the net growth in the U.S. labor force throughout the rest of the century will be workers who are minorities, or are white women, or are immigrants.

*Workforce 2000* gave impetus to "managing diversity," a concept that had already begun to take hold in some large corporations. Managing diversity meant, and still means, fostering an environment in which workers of all kinds—men, women, white, black, Hispanic, Asian, Native American, disabled, homosexual, straight, elderly—can flourish and, given opportunities to reach their full potential and contribute at the highest level, can give top performance to a company.

As Trader Publications shows, executives are becoming more willing to invest in diversity not only because of the demographics of the labor force but also because of developments in the marketplace.

"If the work force is changing, the customer base is changing, and that's where the clout is for them," says Ann M. Morrison, who directs research in leadership diversity at the Center for Creative Leadership, in La Jolla, Calif., and is the author of the book *The New Leaders: Guidelines on Leadership Diversity in America* (Jossey-Bass, \$25.95).

The evolution of what were niche markets—Hispanic, Asian, and African-American, for example—into very large mainstream markets is "the compelling force that's causing a lot of executives to say, 'We need to pay attention to this. We



need to do something about it," says Morrison. "And ways to do that are to move nontraditional managers into decision-making levels where they are visible and where they have a chance to have an impact on the products and the services and the markets." By nontraditional managers, Morrison means those who are female or nonwhite.

Companies everywhere are beginning to feel the change that the Hudson Institute predicted. More than half of the 578 companies responding to a survey conducted in April by the Olsten Corp., a temporary-personnel company based in Westbury, N.Y., reported increases in women and minorities in their work forces over the past five years. (See the chart above.)

More than one-third of the companies said they have a great need now for employees with multicultural communications skills—"necessary for doing business in other nations and communicating with a diverse work force," the report said.

The report included small and midsize companies as well as larger firms—14 percent had no more than 100 employees,

and an additional 54 percent had 101 to 1,000 employees. While most companies said they had taken some form of action to deal with diversity, only 17 percent had adopted programs pertaining to disabled employees.

Programs for people with disabilities are expected to increase dramatically, however, as companies act to comply with the Americans with Disabilities Act of 1990. Regulations to bar discrimination in the hiring, promotion, and compensation of the disabled went into effect for companies with 25 or more employees on July 26 and will be extended to businesses with 15 to 24 workers in 1994. (See "Disability Rules Target Job Bias," in the June 1992 issue of *Nation's Business*.)

Three years ago, the U.S. Department of Labor launched an initiative designed to shatter the "glass ceiling"—artificial barriers that prevent qualified minorities and women from advancing into middle and senior levels of management. In a report issued last year, the department said that its study of nine of the largest American companies found that each had a point beyond which minorities and women had not advanced and that the



## COVER STORY

glass ceiling existed at a much lower management level than first thought.

Now the Labor Department is turning its attention to smaller businesses. Its Office of Federal Contract Compliance is responsible for seeing to it that companies with federal contracts do not discriminate in employment decisions on the basis of race, sex, color, religion, national origin, disability, or veteran status. Most federal contractors are larger companies, but Labor Secretary Lynn Martin reasons that small businesses of today will be the big companies doing business with the federal government tomorrow; if they begin to take action now to dismantle their own glass ceilings, they will have the basic systems for compliance in place when they are ready to become federal contractors.

In August, the Labor Department and the Small Business Administration announced a joint effort designed to help small companies eliminate discrimination. "We will create a network of small and medium-sized businesses to disseminate model approaches to breaking the glass ceiling," says Martin.

Lewis Griggs, the San Francisco-based executive producer of the "Valuing Diversity" film series, says it's in the "bottom-line self-interest" of any business owner

to address the issue of diversity. A small-business owner himself, he says: "Don't I want greater diversity inside my organization to help attract more diversity, just like I want it to help sell to my diverse market? And don't I want my management to be more diverse so that I can manage diverse people better?"

The first message Sondra Thiederman wants to get across to business owners is that diversity is manageable and that they can manage it. Thiederman is the president of Cross-Cultural Communications, a San Diego-based training firm, and is the author of *Profiting in America's Multicultural Marketplace* (Lexington Books, \$24.95).

Thiederman says she gets calls from executives who seem frightened by the prospect of addressing the diversity issue. "They're afraid they'll say the wrong thing and offend somebody. I really like to reassure everyone that if your heart is in the right spot, if you genuinely do value these people or even genuinely realize they're who your workers are—whether you like it or not—that your approaches are apt to be fairly safe. You're not apt to make a mistake. If in your heart you're resenting it and you are being racist, it's going to show."

The experts also caution against letting the tough economy stop you from launching a diversity program. "People say it's just such an awful time, and I say this is

the time to plan," says Ann Morrison. "This is the time to structure the kinds of things that you can do now and the kinds of things that you will do." Then you'll be ready when the growth starts and there are more jobs, promotion opportunities, and money, she says. "If it isn't planned now, it won't happen later."

If you want to start managing diversity effectively in your company, here are eight ideas to help you take action:

**1. Assess your company's needs.** In her book *The New Leaders*, Morrison advises conducting an organizational audit to determine which, if any, diversity problems exist and which need attention first. You can identify problems by using surveys, interviews, focus groups, or a combination of methods.

You might discover that your organization has problems with communications between ethnic groups or that average pay increases for Hispanic and black employees of both sexes are far less than increases for white males.

*Beyond Race and Gender* (AMA-COM), a book by R. Roosevelt Thomas Jr., one of the early leaders in the field of managing diversity, includes a "culture audit" that can serve as a model for your company. ODT Inc., an Amherst, Mass., organization-development and training firm, puts out an assessment tool called "The Questions of Diversity." For more information on these and other resources, see Page 21 for details.)

**2. Learn all you can.** Get exposure to people who are not like you, Morrison advises. One reason that stereotypes develop, she says, is that "people don't spend enough time with people who are different." Because it's a natural tendency to associate with people like yourself, you may have to take deliberate steps to meet and learn about people who come from different backgrounds. For example, join some local organizations that have more of a cross section of people than the groups you now belong to.

Thiederman urges extensive reading about diversity; the books and publications on Page 21 can get you started.

**3. Curb your assumptions.** Morrison says it's not unusual for a male business owner to assume that a woman will put her family first and won't want a position of power and, consequently, for the owner to base career decisions for her on his biased assumptions.

Your business becomes a victim when you harbor prejudice, she warns. Instead of being objective, you will be making "dysfunctional" decisions that can harm your company.

"Really look at how to make decisions about people and their careers in a way that's more objective, in a way that



PHOTO: CHARLES MOORE-BLACK STAR

**Stockton Record President Orage Quarles III, second from right, believes in diversity among leaders. His top team includes, from left, Executive Editor Betty Liddick, Marketing Services Director Steve Morales, and Associate Publisher Virgil L. Smith.**



## Where To Get Information About Managing Diversity

Managers who want to learn how to manage a diverse work force are in luck. There is more help available now than ever before, and the resources listed below will give you a good start.

### Books

The following are available at bookstores unless otherwise indicated:

*The New Leaders: Guidelines on Leadership Diversity in America*, by Ann M. Morrison (to be published in September by Jossey-Bass, \$25.95). Aimed at helping organization leaders develop diversity within the ranks of management.

*Beyond Race and Gender: Unleashing the Power of Your Total Work Force* by Managing Diversity, by R. Roosevelt Thomas Jr. (AMACOM, 1991, \$15.95 paper). Based on Thomas' work as the founder and president of the American Institute for Managing Diversity.

*Workforce America! Managing Employee Diversity as a Vital Resource*, by Marilyn Loden and Judy B. Rosener (Business One Irwin, 1991, \$29.95). Emphasizes diversity as an asset; includes sections on communication, managing culture clash, and creating a workplace that values diversity.

*Profiting in America's Multicultural Marketplace: How To Do Business Across Cultural Lines*, by Sondra Thiederman (Lexington Books, 1991, \$24.95). A practical guide to making diversity work in your company and as you deal with customers of other cultures.

*Managing Workforce 2000: Gaining the Diversity Advantage*, by David Jamieson and Julie O'Mara (Jossey-Bass, 1991, \$27.95). Shows how to address the needs of women, minorities, and the disabled as well as workers who differ in age, values, and education.

A "No Frills" Diversity Library, described as a diversity "starter set," is available for \$125 from ODT Inc., an organization-development and training firm in Amherst, Mass. It includes three books, an audio tape, assessment tools, a reference list, and other materials. A Complete Cultural Diversity Library at \$525 includes everything in the "No Frills" library plus additional books and audio tapes, a videotape, and other items. "The Questions of Diversity," a collection of questionnaires and diagnostic forms to help you determine your company's diver-

sity-training needs, is also available separately for \$45. Contact ODT Inc., Box 134, Amherst, Mass. 01004; (413) 549-1293.

### Newsletters

*Cultural Diversity at Work*, 13751 Lake City Way N.E., Suite 106, Seattle, Wash. 98125-3615; (206) 362-0336. Aimed at preparing readers for "managing, training, and conducting business in the global age." Six issues a year plus 11 bulletins

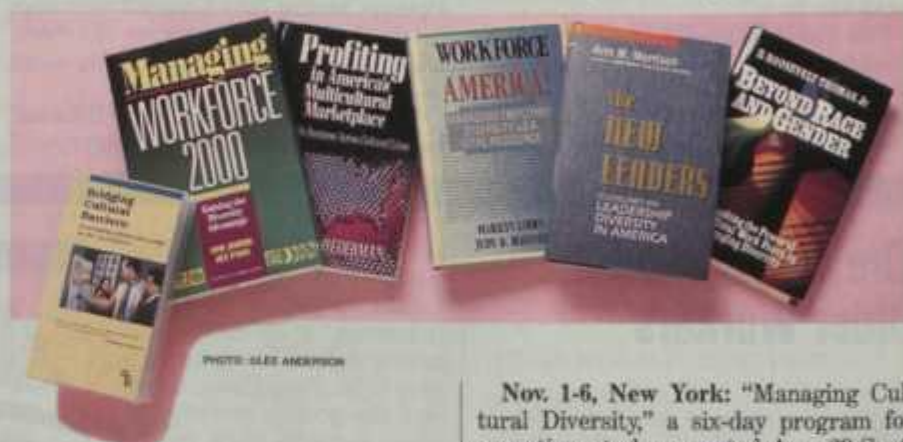


PHOTO: GALE ANDERSON

listing training events. Prices: \$64 for organizations, \$42 for individuals.

*Managing Diversity*, P.O. Box 819, Jamestown, N.Y. 14702-0819; 1-800-542-7869. For people managing diverse work forces. Introductory price: \$79.50 a year for 12 issues.

### Publications

*How To Recruit Older Workers* (D13279), *How To Manage Older Workers* (D13288), and *How To Train Older Workers* (D13287) are 16-page booklets available at no charge for single copies from Joan Kelly, Business Partnerships, American Association of Retired Persons, 601 E Street, N.W., Washington, D.C. 20049; (202) 434-2092. Include title and stock number when ordering.

### Videotapes/Films

"Valuing Diversity," a seven-part film/video series, is aimed at such audiences as entry-level employees, supervisors, and senior managers. May be rented or purchased separately or as a group. Contact Griggs Productions, 302 23rd Ave., San Francisco, Calif. 94121; (415) 668-4200.

"Bridging Cultural Barriers: Managing Ethnic Diversity in the Workplace," a 23 1/2-minute training tape for managers and supervisors, based on Sondra Thiederman's book, *Bridging Cultural Barri-*

*ers for Corporate Success*. Price: \$695, but you can get a 10 percent discount if you mention *Nation's Business* when you order. Contact Barr Films, 12801 Schabrum Ave., Irwindale, Calif. 91706-7878; 1-800-234-7878.

### Seminars/Conferences/Courses

**Sept. 23-25, Atlanta:** "Managing Cultural Diversity: Tapping the Potential of Today's Work Force!" To be repeated Sept. 30-Oct. 2 in New York, Nov. 18-20 in Newport Beach, Calif., and Dec. 2-4 in Chicago. Contact the American Management Association, P.O. Box 319, Saranac Lake, N.Y. 12983; (518) 891-0065.

**Nov. 1-6, New York:** "Managing Cultural Diversity," a six-day program for executives, to be repeated Aug. 29-Sept. 3, 1993. Contact Columbia Executive Programs, 324 Uris Hall, Graduate School of Business, Columbia University, New York, N.Y. 10027; (212) 854-3395.

**Dec. 1-3, Greensboro, N.C.:** "Leadership Diversity: Beyond Awareness Into Action," a conference aimed at helping organizations develop diversity. Contact the Center for Creative Leadership, P.O. Box 26301, Greensboro, N.C. 27438-6301; (919) 545-2810.

**May 26-28, 1993, Chicago:** National Diversity Conference, a meeting for human-resources professionals. Contact National Diversity Conference, Box 978, Danville Square Station, Danville, Calif. 94526-9922; (510) 831-0272.

### Organizations/Institutions

The American Institute for Managing Diversity, Inc., P.O. Box 38, 830 Westview Dr., S.W., Atlanta, Ga. 30314; (404) 524-7316. An independent nonprofit affiliate of Morehouse College. Offers seminars, consultants, a speakers bureau, and books and videotapes.

The International Society for Intercultural Education, Training, and Research (SIETAR), 733 15th St., N.W., Suite 900, Washington, D.C. 20005; (202) 737-5000. An organization of professionals who share a common concern for intercultural understanding.



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doesn't make assumptions about who they are, what their skills are, or what they really want out of life," she urges.

**4. Build diversity into your leadership team.** It's not enough to hire for diversity; you must also plan for the development and promotion of your non-traditional workers.

If a company finds it difficult to keep women and minorities, says Morrison, it may be because "they have no visible sign that it's possible to succeed in that organization. There's no one up there who looks like them."

The *Stockton Record*, a newspaper in Stockton, Calif., has more than 390 employees and serves a county that is 57 percent white and 43 percent minorities. "We have truly one of the most diverse

work forces you'll ever find," says publisher Orage Quarles III, who is black. He firmly believes that diversity must reach into the top leadership of a company. In addition to Quarles, the executive committee of the *Record* consists of another black male, two white females (one is the paper's executive editor), one Hispanic male, and three white males. "We make a concentrated effort to make sure that every committee that we put together reflects our work force and reflects the community," Quarles says.

Fostering diversity at the top was essential to overcoming a lack of trust at Umanoff & Parsons. Years ago, says Bo Parsons, he and Jane Umanoff were seen by their Haitian workers as the "rich, white owners [who] didn't care about them."

To solve the problem, says Umanoff, "we changed our style of management."

Naming blacks or Caribbeans as department managers, they learned, was not enough, because the managers still felt they had no authority. "What we had to do," says Umanoff, "was give people authority, responsibility, and accountability. It doesn't matter what race or color you are, that's what you need in order to do your job and feel good about it."

The senior leadership team at Umanoff & Parsons now includes four Caribbean immigrants, one of them a woman. Third in command after the two owners is Jean-Baptiste Brouard, a civil engineer who fled Haiti in 1980. He joined the company at the bottom doing such low-level chores as taking cakes out of pans and glazing baked goods, and he worked his way up to operations manager.

Promoting upward movement of the company's workers, Umanoff cautions, doesn't happen "by magic." It has meant

## The Rising Tide Of Older Workers

As you take steps to do a better job of managing diversity in your company, keep older workers in mind. You'll have to, anyway, because the work force is growing older.

In 1970, the median age of employees was 28; by the year 2000, it will be nearly 40. Fifty-one percent of the work force will be between the ages of 35 and 54, and 11 to 13 percent will be over 55.

The biggest impact of these changes may be felt by small businesses. More than two-thirds of newly hired workers age 65 or older are hired by firms with fewer than 25 employees, according to a recent U.S. Small Business Administration study.

"The work force may be more stable and experienced, but perhaps less adaptable or mobile," David Jamieson and Julie O'Mara write in their book *Managing Workforce 2000* (Jossey-Bass, 1991, \$27.95).

The authors say that an older work force will bring with it changes in worker motivation, younger people managing older people "to a greater extent than ever before," declining career opportunities at the top levels of companies that may force companies to reconsider hierarchical structures, and an increased emphasis on health care.

"Reward systems will reflect the values of economically stable older workers, who may prefer sabbaticals, perks, and time off to salary increases or other financial incentives," say Jamieson and O'Mara.

Employers who think of older workers

as "outdated" may have to rethink that view. Lynette Larkin, president of Larkin Industries, a \$5 million die-cutting and foil-stamping company in St. Paul, Minn., admits that she prefers workers between the ages of 30 and 50. Workers over 50, she has found, don't "want to learn anything new or change."

Nevertheless, when she and her husband started their company in 1976 as entrepreneurs in their early 20s, they depended heavily on a friend and mentor who was in his 50s and a part-time employee of 45 to provide the experience they lacked and to coach them in business.

A company needs both older and younger workers, says Joan Kelly of the American Association of Retired Persons (AARP), based in Washington, D.C. "It's the mix that makes it work." Some companies that have downsized by giving older employees incentives to leave are now realizing that they have lost the "company memory" and some of their best employees, says Kelly, manager of AARP's Business Partnerships program.

"Age is not the qualifying factor," Kelly says. "It's the experience and ability to do the job." But she adds that older workers who want to stay in the work force must be responsible for keeping their skills up to date.

Managers at a seminar on diversity sponsored by the American Management Association were asked to determine how a manager might deal with "George," a supervisor. In this case, two subordinates need shoring up in different deficiencies. George wants to offer training to Howard,



Companies need older workers, says Joan Kelly of AARP's Business Partnerships program.

whom he describes as "young, energetic, and a quick learner," instead of Jim, who, although he is an expert in his field, is described as "too old" and therefore unlikely to learn. Because money is tight, George can't send both men for training.

The seminar participants agreed that George's manager needed to talk to him about his biased attitude about age.

They also pointed out that the employees' strengths and weaknesses were complementary, so Jim could train Howard in his area of deficiency and Howard could help Jim with his. That way, the group pointed out, the company could enhance the performance of two good employees and save dollars at the same time.

Like these managers, business owners increasingly need to search for creative solutions to problems involving older employees. The first step may be throwing out old attitudes about them.

Says Kelly: "Age is a different thing than it used to be. The 50-year-old of today is like the 35-year-old of 20 years ago. People are living longer; therefore, they're going to be working longer."



# Rethinking Public Education in America

When it comes to explaining the lack of improvement in academic achievement among American children, most people are all too eager to blame the nation's school system. Yet few can agree how best to reshape U.S. elementary and secondary schools to meet the educational challenges of the 1990s.

As a company with a major presence in this country and interest in its well-being, we share the concern about the state of U.S. education.

That's why Hitachi recently joined forces with the California Chamber of Commerce and other civic-minded organizations to sponsor California Public Affairs Forums on educational reform. Aiming to develop a consensus on school reform, we invited several hundred educators, business executives, government officials, parents, and journalists from the San Francisco area to hear experts discuss their ideas on educational reform. Two days later in Los Angeles a similar audience heard another

prestigious panel address the same topic.

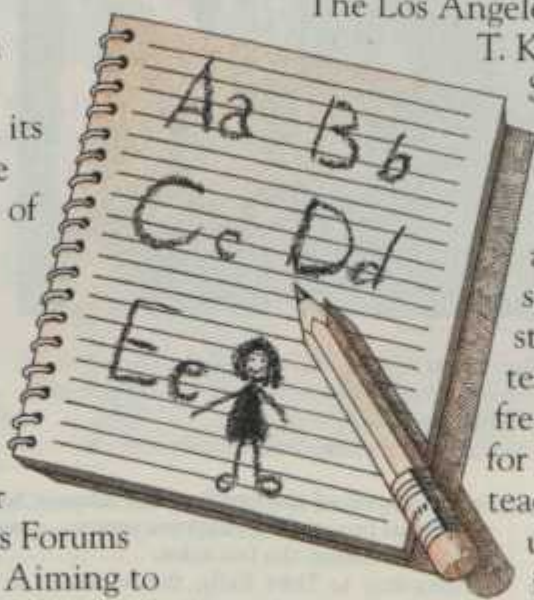
Each forum featured a leading proponent of educational reform as its keynote speaker. In San Francisco, it was William J. Bennett, formerly U.S. Secretary of Education and now a senior fellow at the Hudson Institute. The Los Angeles forum featured David T. Kearns, Deputy U.S.

Secretary of Education.

Among the proposed reforms: year-around school attendance; more specialized schools; standardized achievement tests and curricula; and freedom of school choice for both parents and teachers. The speakers also urged greater business involvement in public education.

It's our hope that these ideas will contribute to a growing consensus on educational reform in the U.S.

To obtain copies of the speakers' presentations and other information, write: Hitachi, P.O. Box 35146, Los Angeles, CA 90035.



## HITACHI



## COVER STORY



providing education in supervision for the employees so that they can succeed at their jobs.

"What happens is that everyone becomes more devoted to the company, and it becomes less Bo's and my company and more 'our' company," says Umanoff.

**5. Expect backlash, and take steps to minimize it.** Many organizations that have instituted diversity or affirmative-action programs have received adverse reaction from employee groups, particularly white males.

Backlash can't be avoided altogether, but you can curb it by taking the following actions:

■ **Include white men at all levels of decision making—including decisions about diversity.** Morrison says that most of the 16 model organizations that she researched for her book make efforts to include white men in the task forces, committees, panels, and other groups that are looking at problems and deciding what kinds of changes could be made to solve them.

■ **Keep everybody, including white men, informed.** According to Morrison, there is a perception among white men that all the opportunities—the promotions, the better assignments, the merit pay, and bonuses—are going to women and nonwhites. "And that's simply not true in most organizations," she says.

Counter that perception with facts. With a little digging, Morrison says, you can present the information illustrating the pay scales and showing that a lot of white males are still getting promoted.

Try to dispel fear, advises Orage Quarles. It's important that employees realize that they're still going to be rewarded on merit. "And that has nothing to do with the color of your skin," he says. "In approaching diversity, you make a commitment to be reflective of your community. [Employees] then make their own commitments as to how far they want to go with your company."

■ **Avoid stereotypes.** "I believe that if it is not OK to make jokes about women, blacks, or Asians, it's not OK to make jokes about white Anglo-Saxon males either," says Sondra Thiederman. She says she has been in meetings where various groups are being very respectful of one another until someone mentions the white male and others respond, "Well, you know what they're like."

When we put down the white male and make him "the new victim," she says, that makes him "more defensive than he needs to be."

■ **Give recognition.** "The white men who have been advocates of diversity and

who have been mentoring a woman or a person of color and who are really invested in it aren't getting any recognition for that," says Morrison. "We need to find and reward those who are part of the solution versus those who are part of the problem."

**6. Make continuous improvement in communication a goal.** When friction developed between a group of Mexican-born workers and a white American crew leader at a Trader Publications warehouse, the company held meetings to get



PHOTO: ©CHERRY COWITT

Researcher Ann M. Morrison, left, and consultant Sondra Thiederman have each written new books on managing diversity.

to the bottom of the problem. An interpreter was brought in to improve communications between the two sides.

According to Debi Kelly, the human-resources director, the meetings gave the Mexicans an opportunity to voice their feelings that the crew leader was giving preferential treatment to others when tasks were assigned.

The crew leader was able to explain why he gave what were seen as better jobs to the people he chose. A bilingual employee was appointed to continue to serve as an interpreter for the crew leader to facilitate communication.

Once the employees and the crew leader had a chance to communicate, says Kelly, "they worked things out. It's been fairly quiet [at the warehouse] for a while."

When you're managing people who come from a variety of backgrounds, communication is not easy, says Jean-Baptiste Brouard of Umanoff & Parsons. "You have to be very strong in psychology and sociology and be an understanding person."

**7. Expect problems between groups of employees.** Jane Umanoff and Bo

Parsons thought that because their Haitian workers had been such victims of oppression in their native country, they would naturally be more compassionate toward other workers, especially black workers. Not so. Once the Haitians became a majority, Umanoff says, they began to treat the Senegalese dishwashers "like slaves."

In meetings with employees, Umanoff and Parsons began to emphasize the spirit of teamwork for all employees, and they began to increase the diversity of the company.

Some problems can develop out of innocence. Sondra Thiederman recalls one potential disaster that was headed off by a training session she conducted for a hospital. A shy Filipino nurse raised her hand and said, "I have a question, and I think it's a silly question." Assured that no questions were silly, she asked, "Is 'nigger' a bad word?"

"Her heart was so clean on it," says Thiederman, that the black nurses in the room gently told her the word actually was a bad word and explained why.

But Thiederman asks with a shudder, what if the Filipino woman had used the word while on the job?

**8. Look for ways to adjust your company to your workers.** Traditionally, employees have been expected to conform to the company. If a person wanted to work for a company, he or she had to fit in.

"We do the opposite," says Bo Parsons. "The culture of our company becomes who works for it. It's very, very employee-oriented."

More and more employers are beginning to consider flexible management systems to accommodate the needs of diverse workers. This means not only flextime but also job sharing, different reward and benefit systems, and other measures that appeal to different workers.

Instead of being overwhelmed by the changes, business owners like Umanoff and Parsons are thriving on them and enjoying the challenges that they present.

Parsons observes with relish that the waves of immigration are accelerating. Right now, he says, the Russians are coming. He advertised for a bookkeeper recently, and of the 80 resumes he received, half of them were from Russians. "This is like overnight," he says.

Next, he predicts, it will be people from what was once Yugoslavia. He and Umanoff are ready for them.

Are you?

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To order reprints of this article, see Page 77.



## MANAGING

# Doing Well What Comes Naturally

By Michael Barrier

**N**ine years ago, when Larry Denny decided to draw up a quality-management program for Den-Con, his Oklahoma City firm, he wasn't taking on a terrific burden.

What his program really amounted to, Denny says, was "the documentation of what we already had under way." He says he "described in detail the very precise flow of everything we were doing, and why we were doing it."

That document of perhaps 30 pages has grown about 10 times as thick since 1983, "but we don't do things a lot differently," Denny says. Instead, his small company, which manufactures oil-drilling equipment, has defined ever more precisely how it does well what it does. Denny's systematic attention to quality permitted his small firm to survive, and then to thrive, despite the drop in world oil prices in the 1980s and the resulting drop in drilling.

Denny had only three or four employees when he drew up his first quality program (he now has 13). Such tiny firms must practice what amounts to Total Quality Management, even if they do not give it that label. The essentials of TQM—among them, an intense focus on the customer, constant communication among the people in the business, an unflagging awareness of anything that might signal a problem—are vital not just to the success but to the very survival of the smallest businesses.

When success comes and survival is no longer the immediate issue, a company's growth can weaken its commitment to quality management. What is most convenient or efficient internally can start to seem more important than what's best for the customer. Internal communication can break down as the number of employees grows.

Thanks to the momentum built up when it was small, the business may grow and prosper for years, but eventually sales lag or customer complaints rise. It's at this stage that many large and medium-size companies turn to formal Total Quality Management programs, in a frequently successful—but often painful—effort to



PHOTO: T. MICHAEL KEEZA

Larry Denny used a quality program to give his Oklahoma City firm a competitive edge.

recapture the spark that helped make them big in the first place.

But what if they had never lost that spark? What if they had grown large practicing the same kind of TQM that came to them naturally when they were small?

As Patrick L. Townsend, a quality consultant and co-author with Joan E. Gebhardt of *Quality in Action* (John Wiley & Sons), puts it: "The principles are the same," whether the company is large

## TQM Seminars

Training in Total Quality Management for small businesses is available via televised seminars offered by the U.S. Chamber of Commerce at locations throughout the country. The fall series will begin Sept. 17.

For information, call Alan A. Wheeler at the Chamber's Quality Learning Services Division at (202) 463-5570.

*For small firms, quality management can mean remembering what helped them grow.*

or small; "the trick is to apply them consciously."

Larry Denny's Den-Con is a case in point. So successful has he been at using his quality program to withstand the energy industry's economic reverses that Den-Con was designated a 1992 Blue Chip Enterprise for Oklahoma in the national competition sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business* (see the story on Page 36).

Denny started his business in California in 1975 and moved it to Oklahoma City in 1981. After many years of working for larger companies, he says, "there were a lot of things I wanted to do with my own company."

He started with a strong bias in favor of prevention—a central tenet of the quality movement. For example, he knew that he didn't want to heat-treat the castings for his products himself; he wanted to buy castings that were heat-treated and ready to use, even though they would be more expensive. That way, there wouldn't be any question, if cracks or other defects showed up in the castings, that they were the

foundry's responsibility.

By establishing such ground rules at the start, Denny didn't eliminate all problems—but he did prevent many chronic problems that would have been inevitable otherwise.

Den-Con makes pipe-handling tools—in particular, devices that grip pipe as it's being put down into a hole—of a kind that are common throughout the industry. A reputation for high quality can be tremendously important to a company that makes such products—especially if it's a small firm like Den-Con. "Small companies in our industry are given no tolerance for error," Denny says.

When he entered the international marketplace, he recalls, he was trying to sell to multinational drilling contractors, in competition with a much larger company. Better delivery and lower prices alone wouldn't be enough; he had to find some way to make Den-Con credible despite its size. Den-Con's quality program "allowed us to go out to the industry



## MANAGING

and show people, when they questioned our credibility, that we knew what we were doing," he says.

Although most of Denny's customers are much larger companies, most of his suppliers are small enough that he's an important customer to them. He has cultivated relationships with them of the kind that are typical of TQM companies. "We've made no secret of the fact that everybody is constantly being evaluated," he says. "There are a lot of shops out there that want the work. On the other hand, we're loyal." Den-Con has been working with its principal foundry, for example, since 1981.

For all of its TQM characteristics, Den-Con may not count as a TQM company in the strictest sense, because Denny hasn't methodically embraced all the elements that most experts believe should be part of a complete quality plan. He places no special emphasis on employee empowerment, for example, or on building teams.

And that's just the point: In a very small company, where so much of TQM comes naturally, the idea should be to move into conscious, formal TQM as it's needed, and where it will do the most good.

Another small business, Stevens Point Brewery Inc., of Stevens Point, Wis., has taken a different tack in its quality



PHOTO: T. MICHAEL REZA

**Ken Shibilski, left, president, and Art Oksuita, plant engineer, have seen Stevens Point Brewery, in Stevens Point, Wis., benefit from the team concept.**

program in the face of different problems arising from a very different history. Its success in meeting those problems led to the designation of the brewery, too, as a 1992 Blue Chip Enterprise.

Stevens Point Brewery is over a century old, a lonely survivor from among the dozens of regional breweries that once made Wisconsin synonymous with beer. Its Point Special beer is a flavorful brew that makes many more famous brands seem a little bland by comparison.

A few years ago, the brewery's president, Ken Shibilski, realized that his company faced a bleak future in a mature industry dominated by very large competitors. Sales had fallen by one-third between 1982 and 1989. Stevens Point, with fewer than 30 employees, was getting stepped on by the giants.

Shibilski decided to reposition Stevens Point as a specialty brewer, appealing not just to its regional base but also to customers who drink out-of-the-mainstream beers. To make a go of his new strategy, Shibilski had to raise prices, expand distribution, and, most important, cut costs without compromising quality. To do that, he needed his employees' help.

Until 1990, some employees spent all their time brewing beer, and others spent all their time packaging it. To cut costs, Shibilski wanted the same people to do both jobs, spending part of the week brewing and part of it packaging.

With some trepidation about implementing the strategy—the brewery has been unionized since the '30s—"we started out by having meetings with the employees," Shibilski says, "and telling them what we felt we had to do." He made no secret that he planned to reduce the

brewing and packaging work force from 15 to 12, and he encouraged low-seniority employees to look for other jobs; as a result, he says, layoffs were avoided.

To bring the changes closer to the workers and stimulate team-building, Shibilski put the plant's brewmaster, or superintendent, in charge of weekly meetings and cross-training in the two functions. That way, as Shibilski says, "it wasn't me handing down the decisions."

The plant engineer in charge of day-to-day operations, Art Oksuita, says that the team concept was slow to take root among the brewery workers: "It took about a year for them to see that we're serious about it, and it's not some fad that we're trying out."

The brewery has taken two paths in convincing the workers of its seriousness, Oksuita says: first, by upgrading a lot of equipment, so that changes in the way the work was organized were unavoidable; and second, through the regular meetings, at which the workers have been increasingly willing to suggest ideas.

What seem to be small things can in fact be vital to team-building, Oksuita says. For example, at the meetings for the workers, managers try to make sure that they don't stand in front of the workers and address them as superiors, but instead sit among them at the tables.

Such attention to detail, more than adherence to a rigid framework of ideas, marks true quality management. The small business that is making a successful transition to conscious TQM focuses on the right details at the right time. **18**

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## SPECIAL REPORT

# Lower Prices, More Computer Power

By Jon Pepper

As each new generation of software programs places greater demands on computer hardware, business users typically conclude their machines lack the muscle for the software's capabilities, and they draw up wish lists of next-generation processing power. Now their wish lists are rapidly becoming more affordable.

In perhaps the most significant change in the computer-hardware market in some time, severe price cutting by major vendors is reshaping the landscape of possibilities for business purchases.

After Compaq not only cut prices to levels below those of computer clones but also introduced a brand new line of low-priced products, other vendors responded in kind. The result is the lowest prices that the market has seen for robust, powerful hardware with a broad range of capabilities—hardware that is set to run Microsoft's Windows, IBM's OS/2, or any other software that your company might need.

This change is rippling through companies at all levels, leading many business people to raise their expectations of what a new personal computer should be able to do. Although systems based on the Intel 386 processor are still selling, the most energetic part of the market in new sales is now based on the Intel 486 processor or comparable processors from other vendors. Today's base system is generally a 486 class that is easily a match for any of today's demanding software.

"We will buy very, very few machines that have less power than a 486," says Steven Hansen, director of information systems at the Toro Co., the Bloomington, Minn., manufacturer of lawn-care products. For its business purposes, he says, Toro needs computers with "a minimum of 8MB of RAM [eight megabytes of random-access memory], at least a 60MB hard drive or greater, and VGA or even SuperVGA graphics."

As a result of the current round of price cutting, Hansen expects that Toro will be able to get its new base-level systems for less than they would have cost even as recently as six months ago.

At Ryder Systems Inc., in Miami, Henry Fiallo, one of the four key executives responsible for overall management information systems (MIS) planning and strategy, foresees his company buying only new PCs that can easily handle the

requirements of Windows. He explains that he expects to be buying some 386-class machines over the next several months because of effects of the lower prices. He acknowledges, however, that with the current price movement, he wouldn't be surprised if Ryder soon began buying only 486-class systems.

What do these developments mean if you haven't moved to Windows or OS/2? Basically, that you can get a computer that handles Microsoft DOS software with ease and still have headroom for Windows if you plan to switch soon to a more graphically oriented operating system.

Another consideration is a modular computer with a plug-in processor card or the ability to get more power with a chip swap. There are plenty of machines like this on the market, offering a growth path that is more cost-effective than buying entirely new systems.

In reviewing equipment, we have focused on machines that are ready for the demands of graphical computing. We also looked at peripherals that make it easier to use a GUI, or graphical user interface (interaction with the computer through graphic symbols such as icons). These include larger-screen monitors, work-group and color printers, high-performance video boards, and multimedia-ready machines.

## SYSTEMS

If you want a system capable of running Windows or OS/2 applications as well as some DOS programs and perhaps multimedia applications, we generally agree with the corporate specialists quoted above. However, we might suggest even more strongly that you don't even consider a 386-class system; dropping prices make 486-class systems more attractive and a better long-term buy. Here are some possibilities:

**Compaq Deskpro 4/33i Model 120 Windows** (Compaq Computer Corp.; 1-800-345-1518). Compaq has slashed prices on current products, introduced a lower-price family (Prolinea desktops and Contura portables), and improved its service and support.

The Deskpro 4/33i is one of our favor-

*Computer hardware prices are dropping sharply, making it more affordable for companies to upgrade their systems.*

ites. For \$2,449, you get a 33Mhz 486DX-class processor, 4MB of RAM, a 120MB hard drive, integrated business audio (which lets you paste voice messages into Windows 3.1 documents), and an integrated QVision accelerated graphics controller for fast SuperVGA graphics with Windows. And the Model 120 Windows comes with a Compaq mouse and Win-



dows 3.1 preinstalled. It doesn't include a monitor, but at these prices you can add a pretty spiffy one and still have quite a bargain. (Figure on \$500 and up depending on the monitor's size and quality.)

Or, you could try the **Compaq Pro-Linea 4/33 Model 120** for \$1,899. You get the same base processor, memory, and hard-drive capacity but a slight reduction in features—such as fewer expansion



slots and nonaccelerated graphics—to keep your costs down. Either way, Compaq machines are well-made, well-supported, and now a pretty good deal.

**DECpc 450ST** (Digital Equipment Corp., 1-800-722-9332). Digital Equipment Corp. has added direct mail PCs to its better-known line of VAX computers. The DECpc 450ST is one of the more impressive PCs we have seen in a while, with rock-solid construction, lots of expansion room, and an architecture that is set for the future. A base system includes a 50Mhz 486, 4MB of RAM (expandable to an impressive 192MB), a 105MB hard drive, SuperVGA graphics, and DOS and Windows installed. Shipping and one year of on-site service are free.

Designed in conjunction with chip

**Dell 486P/33** (Dell Computer Corp., 1-800-BUY-DELL). Not one to sit idly by, Dell has responded in kind to its Texas neighbor's price cuts. Prices are lower on all current systems, and Dell has introduced the Dimension by Dell line, an even lower cost line designed to at least match Compaq.

The 486P/33 includes 4MB of RAM, a capacious 170MB hard drive, and a SuperVGA graphics system that includes a 14-inch, noninterlaced color monitor, plus DOS 5.0, Windows 3.1, and a mouse. The price is \$2,299.

Or consider Dell's **Dimension 486DX2/50** model, which offers more power for about the same price. It comes with a speedy 50Mhz 486DX2 CPU, 4MB of RAM, a 64-kilobyte cache, 212MB hard drive, and a 14-inch color SuperVGA graphics system. The \$2,399 price includes DOS and Windows pre-installed.

**Epson 486/Wingine PC** (Epson America, 1-800-922-8911, or 310-782-0770). If you want uncompromising Windows performance, then Epson's newest system promises to deliver. The 486/Wingine PC is the first to use the new 64200 Wingine Windows Accelerator from CHIPS and Technologies.

This new controller along with an upgradeable CPU architecture and VirtualCache (a proprietary memory-access scheme) combine to offer much faster response under Windows. The system, which Epson is scheduled to begin shipping in October, will come in three processor configurations: a 25Mhz 486SX, a 33Mhz 486DX, and a 50Mhz DX2. All of the systems will have standard video for 1,024-by-768 pixel resolution. (A pixel is a point on the screen; the more pixels, the higher the resolution.)

Hard drives up to 240MB will be available, along with a host of other features and software utilities for Windows 3.1, OS/2, and leading DOS applications.

Prices hadn't been announced at press time, but Epson expects the systems to be competitive with current models without the Wingine accelerator.

**Zenith Data Systems Z-Station 433DEH** (Zenith Data Systems, 1-800-553-0331). ZDS has reinvented itself with an entirely new line of PCs, including the high-performance, stylish Z-Station series. All

models in the series are based on the EISA architecture, have built-in LAN hardware and software, and offer a proprietary Windows Accelerator Module for faster performance under Windows 3.1.

The model 433DEH includes a 33Mhz 486-class system, 4MB of RAM, a 400MB hard drive, SuperVGA graphics, an Ethernet LAN port and a SCSI port. Windows 3.1, DOS 5.0, and network drivers are standard. List price is \$3,999, though you should find some steep discounts.

#### MULTIMEDIA PC SYSTEMS

**IBM PS/2 Ultimedia Model M57SLC** (IBM Corp., 1-800-426-9402). IBM has been an early proponent of multimedia, and the company's Ultimedia Model M57 SLC has some fine, well-integrated features. Key components include 4MB of RAM, a 20Mhz 386SLC, an 80MB SCSI hard drive, and a high-capacity 2.88MB floppy drive. Plus, it has 16-bit audio, a CD ROM drive that supports DVI (digital video interactive), and sophisticated internal speakers. It lists for \$4,840.

**NCR System 3000 Model 3331 Multimedia Learning Station** (NCR Corp., 1-800-CALL-NCR). Everyone seems to be getting into the multimedia arena, including NCR, with its 331 Multimedia Learning Station. Based on either a 486SX or 486DX2 processor, the 3331 comes with an internal CD ROM drive, SuperVGA graphics, and a Yamaha 20-voice stereo MIDI synthesizer. Numerous hard-drive, memory, and monitor configurations are available for the Model 3331, which has list prices starting at \$5,300.

#### MONITORS

**Mitsubishi Diamond Pro 17** (Mitsubishi Electronics America, 1-800-843-2515). Mitsubishi has the research clout and experience to compete effectively in the monitor market, and its Diamond Pro 17 shows the fruits of its efforts. Designed to compete with and surpass the NEC MultiSync FG line, the Diamond Pro 17 is a formidable product for any type of graphics and GUI application.

The 17-inch display features a tight 0.26 millimeter dot pitch, antiglare-treated faceplate glass, and the ability to work with any graphics board up to 1,280-by-1,024 pixel resolution. The unit will work with almost every PC and Macintosh, including the newer Quadra models. List price is a competitive \$1,599, though street prices should be much lower.

**Nanao Flexscan F550i** (Nanao USA Corp., 310-325-5202). For Windows or other graphic environments, a 17-inch monitor is often the best size for business users; it is large enough to display multiple Windows but occupies much less desk space than 19- or 20-inch monitors. The Nanao Flexscan F550i is a prime exam-



**Systems with 386 processors:** At left above, the NCR System 3000 Model 3331 Multimedia Learning Station, with numerous memory and monitor configurations. In lower photo at left, a Compaq Deskpro; the 4/33i Model 120 Windows comes with 4MB of RAM and a 120MB hard drive. Above, the DECpc 450ST, with a 105MB hard drive and SuperVGA graphics.

maker Intel, the 450ST—there are several other models in the 400ST line—is compact. Yet it can accommodate gigabytes of storage and has a special internal architecture that makes it ready for the next generation of Intel chip, the P5. The processor card can be snapped out and replaced with a new one, making the system current with the state of the art. Base systems start at \$5,399.



## SPECIAL REPORT

ple, with a flat, square-faced CRT, flicker-free resolution at up to 1,024-by-7,678 line resolution, and microprocessor-based digital controls for adjusting the image. This product lists for \$1,749.

**ViewSonic 7** (ViewSonic, 1-800-888-8583). If you're looking for larger screen images for somewhat less money than the two products just mentioned, then the ViewSonic 7 is a nice compromise. Compatible with all PCs and Mac IIs, the ViewSonic 7 handles noninterlaced resolution (the higher resolution of higher-grade models) up to 1,280 by 1,024, features a 0.28 millimeter dot pitch, and has a nonglare screen with easy-to-use front-mounted controls. The base price is \$1,399; street prices are lower.

## VIDEO BOARDS

**ATI VGAWONDER XL24** (ATI Technologies, 416-756-0718). ATI has carved out a niche by providing high-performance, well-regarded video cards that also manage to be highly cost-competitive. The latest in the VGAWONDER series is the XL24, which offers 24-bit color, high refresh rates (for ergonomic support), and drivers for Windows 3.1, OS/2 2.0, and AutoCAD.

The card is also shipped with a 400-dot-per-inch mouse and a mouse port, is easy to install, and lists for just \$179. This is a great buy for 24-bit color.

**Hercules CHROME** (Hercules Computer Technology, 1-800-532-0600). For high performance and high-resolution color, the new Hercules CHROME board is a most interesting choice. The board provides 24-bit resolution up to 1,152 by 900, and it can accommodate as much as 40MB of DRAM (memory) that can handle cached fonts (in which the video board holds fonts in memory for faster screen response) or graphic images. And with refresh rates up to 90Hz, the CHROME board can produce flicker-free and eminently readable displays at all resolutions.

Based on a programmable Texas Instruments 34020 graphics processor, the CHROME board ranges from \$1,695 for the model C531 to \$1,995 list for the model C731, with a 40Mhz graphic processor. All CHROME boards have Hercules 24-bit Windows drivers.

**Radius MultiView 24** (Radius Inc., 1-800-227-2795). The MultiView 24 is one of the fastest 24-bit cards we have seen; it is based on a unique combination of three on-board processors that Radius uses. Color fidelity is excellent, the Radius-supplied drivers are first-class, and the board delivers performance that surpasses many boards with far lower resolutions. It is highly compatible and easy to

use. The one caveat here is that the MultiView doesn't include VGA capabilities, so you'll still need to connect it to the VGA display in your PC (a simple procedure). List price is \$1,999.

## PRINTERS

**LaserMaster Unity 1000** (LaserMaster Corp., 1-800-950-6868). LaserMaster focuses on high-performance printers for Windows, some of which merit the moniker "plain-paper typesetters" because of their exceptional print resolution. The Unity 1000 offers resolution of 1,000 by



**Color printers:** The Hewlett-Packard PaintJet XL300, top photo, uses plain paper; the Tektronix Phaser III PXI, lower photo, has been upgraded.

1,000 dots per inch, which is very near typeset quality, compared with the 300 dots per inch for most laser printers.

Other features include 135 pre-installed Postscript Type 1 typefaces and automatic switching between all ports (for either PC or Macintosh connections).

The price, direct from LaserMaster, is \$6,905.

**Lexmark IBM LaserPrinter 4029 Model 10** (Lexmark International, 1-800-438-2468, or 606-232-6906). Lexmark, formerly an IBM subsidiary, is now the manufacturer and marketer of IBM printers. The Model 10 isn't new, but the company recently upgraded its printing with Windows, and the price/performance is still excellent.

The \$2,395 printer includes 600-dot-per-inch PostScript printing and produces 10 pages per minute.

**NEC Silentwriter Model 95** (NEC Technologies, 1-800-388-8888). The NEC Model 95 is one of the more appealing laser printers we have evaluated. It has very high print quality, a six-page-per-minute print engine, and both true Adobe PostScript Level 2 (the latest version) and Hewlett-Packard LaserJet III emulation.

In addition, despite a compact footprint, it can hold 250 sheets of paper; 15 envelopes, and I/O ports to connect to any PC or a Macintosh computer. There are even two HP-compatible cartridge slots, so you can use any of your current HP cartridges with the printer. Easy to use and maintain, it retails for \$1,749, though you can find it discounted for about \$1,400.

## COLOR PRINTERS

**Hewlett-Packard PaintJet XL300** (Hewlett-Packard Corp., 1-800-752-0900). Hewlett-Packard, the acknowledged leader in the laser-printer market, is trying to increase its presence in the still-nascent color market with the PaintJet XL300.

This is an impressive product with 300-dot-per-inch color on plain paper, the ability to print to either A or B (tabloid) size media, and relatively easy maintenance. In addition, it is fully compatible with Hewlett-Packard's own LaserJet III.

Other key features include the ability to upgrade to Adobe PostScript Level 2, connectivity for both PCs and Macs, and enough standard memory and fonts to do yeoman work right out of the box. List price is \$3,495, but you are likely to find discounts on this product.

**Kodak Diconix Color 4** (Eastman Kodak Co., 1-800-344-0006). Color printing is often an expensive addition, though it doesn't have to be, as Kodak's Diconix Color 4 printer shows. This moderately priced ink-jet product (\$1,495) can produce 192-by-192 dot per inch graphics in its highest resolution mode while keeping noise down to an office-friendly 45 dB during operation.

The product comes with drivers for Windows, and it can emulate compatible HP PaintJet, so software compatibility should not be an issue. Its ink cartridges



# "I never saw a LaserJet that didn't do what it was supposed to do."



—Howard Holden, Computer Consultant, Strongsville, OH

"Printers are made to print things. It shouldn't be a hassle. You shouldn't get a fuzzy feeling in your stomach wondering will it print this time," says Howard Holden.

"The HP LaserJet IIP *plus* is fantastic. It never fails to do what I want it to do. It's reasonably priced. It's easy to set up. It works."

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## SPECIAL REPORT

are easy to install, it's compact, and it weighs only 14 pounds—permitting easy transfer from desk to desk. If portability and low cost are key concerns, then this is an alternative to consider for cost-effective color.

**Tektronix Phaser III PXi** (Tektronix Inc., 1-800-835-6100). Tektronix is the leader in color in both market share and innovative technology. The Phaser III PXi, introduced in June 1991, is now back in an upgraded version that improves on the already excellent original. It does 300-dot-per-inch true Adobe PostScript Level 2 printing on literally any type of paper, from common bond to rice paper to heavy card stock. The colors are rich and vibrant, and color text or graphics can be mixed easily with regular correspondence. The unique phase-change ink-jet technology uses solid, crayonlike ink sticks. Results are excellent.

The printer can put out large-format documents (up to 12 by 18 inches), and it works well for general business purposes, graphic arts, and other special applications. List price: \$9,995.

## PORTABLES

**Apple PowerBook 170** (Apple Computer, 1-800-538-9696). While many PC vendors are slugging it out with notebook products that seem virtually identical, Apple has managed to distinguish its notebook PC line by more than the PowerBook name. The top-of-the-line PowerBook 170 is powered by a 25Mhz Motorola 6882 processor and uses an extremely sharp active-matrix LCD screen. This technology, found almost exclusively in expensive color notebook screens, gives the 170 a very sharp and easily read display that does justice to any Mac software.

Other attractions include superior ergonomics such as the built-in trackball, 4MB of RAM, a built-in modem, and either a 40MB or an 80MB hard drive.

The PowerBook is easy to use, offers compatibility with MS DOS software, and is, of course, compatible with the extensive line of Mac software and peripherals. The list price is over \$4,000, but you can get a 170 discounted for about \$3,500.

**Gateway Nomad 425DXL** (Gateway 2000, 1-800-523-2000). The Nomad is one of the best notebook computers we've worked with in some time, combining power, superb battery life, and portability. Weighing only 5.8 pounds, the Nomad has a 25Mhz 486 processor, 4MB of RAM, up to six hours of battery operation, and an ample 120MB hard drive. It also features an easily readable monochrome VGA screen and a relatively no-compromise keyboard, and it comes with DOS, Windows, and a portable mouse.

But you think a notebook can't handle all your computing tasks? The Nomad even has a graphics card with 1MB of video memory so you can drive an external monitor at up to 1,024-by-768 resolution.

Gateway backs the unit with a one-year warranty and toll-free technical support. Texas Instruments, which makes the Nomad for Gateway, sells a functionally identical model through its distribution channels. The price direct from Gateway is \$3,495.

**Sharp PC-6781** (Sharp Electronics, 1-800-BE-SHARP). If your key concerns in a portable are light weight and plentiful power, then Sharp's PC-6781 is a most intriguing machine. Powered by a 20Mhz 386SL processor, the PC-6781 tallies only 4.9 pounds, even with an 80MB hard



**Portability, power, and battery life are features of the Gateway Nomad 425DXL.**

drive, 2MB of RAM, and a 10-inch VGA screen.

The machine is beautifully finished and has a very good keyboard. Its battery life of about two to three hours, which is average, can be doubled if you carry a spare. Another plus is the built-in PC-MCIA card slot, which allows you to plug in the credit-card-size PC cards, including extra storage, fax/modems, and other devices. A great machine for those who want to travel light, it lists for \$2,599. Street prices are just under \$2,000.

**Tandy 3830 SL** (Tandy Corp., 817-390-3011). Tandy's association with GRiD (it now owns the portable-computing pioneer) has helped the company to move upscale with its notebook systems without forgetting its value-oriented roots.

The 3830 SL system has plenty of

power for Windows with its SL-processor, and has an integrated pointing device. The system has many options. For high-end use, it's outfitted with 8MB of RAM, an 80MB hard drive, and a fax/modem, all for \$4,338. Or you can save some dollars by opting for its \$2,999 3820 HD, which has a 20Mhz 386SX processor, weighs 6.7 pounds, and includes Windows and DOS.

**Toshiba T6400** (Toshiba America Information Systems, 1-800-334-3445). Say you want a portable but really don't want to compromise? Check out the incredibly powerful Toshiba T6400, and you'll get a machine that is probably more advanced than the desktop you are using. Features include a 33Mhz 486 processor, 200MB of hard-disk storage, and a very sharp active-matrix color VGA screen. You also get a detachable keyboard and even a built-in 16-bit expansion slot.

The T6400 is really a desktop equivalent in every sense, except that it has a handle and weighs 12.9 pounds. Anything you can do on a desktop can be done with the T6400. It's priced at about \$7,600, and even with discounts it is an expensive product, but you do get what you pay for.

## PERIPHERALS/MISCELLANEOUS

**Hayes OPTIMA 96 + FAX96** (Hayes MicroComputer Products; 404-441-1617). The latest trend in modems is fax modems—products that add send-and-receive fax capabilities to standard data modems. In fact, there is now little reason to buy a new modem that doesn't include fax capabilities.

Hayes' OPTIMA 96 + FAX96 offers a 9,600-bps (bits per second) data engine for telecommunications along with full send-and-receive Group 3 fax standards. In addition, the unit comes with free fax and communications software. List price for this appealing external unit is just \$419.

**Technics SC-CH900 Mini-Component System** (Technics, 201-348-7000). This isn't a personal computer, but the Technics SC-CH900 is an impressive display of technology that can make a difference in your office.

In a space of just 8.5 inches square, the SC-CH900 combines a control amplifier, a compact-disc player, an AM/FM tuner, a dual-transport cassette deck, two speakers, and a remote control. The sound quality is excellent, and the unit includes digital signal processing (DSP), which allows the unit to mimic sounds from vastly different listening environments—from a stadium to a church.

Easy to fit into almost any office, the SC-CH900 can at least play soothing music while you sort out the complexities of dealing with computer or business concerns. List price: about \$1,100. **1B**



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## REGULATION

# Banks Seek Change In Lending Law

By David Warner

**T**he Treynor State Bank in Treynor, Iowa, returns nearly 70 cents of every deposited dollar to its home community. The funds flow back as agricultural and small-business loans, lines of credit, investments in local financing bonds, and home mortgages. Bank officers are active in the community; one even serves as a volunteer firefighter.

"We put hours and hours every year into working for this community," says the bank's president, Michael "Mick" Gutttau. All of Treynor State Bank's 18 employees "are involved in some way or another in economic development or community activities," he says. His own community contributions include service as chairman of the local economic-development corporation and as secretary for the Western Iowa Development Association.

But it's not enough that the bank demonstrate its community orientation where it counts the most—in the community itself. Treynor State Bank must also prove to the federal government that it takes its local responsibilities seriously—and that proof involves constantly updating massive amounts of paperwork.

The reporting is required by the Community Reinvestment Act (CRA), a federal statute that requires banks and savings-and-loan institutions to prove they are meeting the credit needs of their communities, including low- and moderate-income neighborhoods, and are otherwise helping to fill community needs.

In a recent American Bankers Association survey, the CRA was cited by seven of every 10 bankers who responded as the most troublesome of the more than 100 federal regulations with which banks must comply. The same survey found that the \$10.7 billion that banks spent last year in complying with federal banking regulations was equal to 59 percent of the industry's profits.

Bankers across the country are complaining that documenting compliance with the CRA is costing time and money



PHOTO: GRADY HAMPTON-BLACK STAR

**Michael Gutttau, president of Treynor State Bank, in Treynor, Iowa.**

that could be invested directly in their communities. Says Michael Gauthier, president of Acadian Bank in Thibodaux, La.: "I've got a CRA file that's about three feet thick, and we work on it every day. It's just another regulation that adds to the total inefficiency of our business."

The CRA was adopted by Congress in 1977 to encourage financial institutions to meet community credit needs. But the encouragement turned to a mandate with the passage in 1989 of the Financial Institutions Reform, Recovery, and Enforcement Act. Among other requirements, the new law mandated that banks document their compliance with the CRA and directed bank regulators to examine and rate each institution on how well it serves its community.

Consumer groups and lawmakers were concerned that some banks were denying services to some segments of their communities and not reinvesting local deposits into the local economy. Excluding certain localities from loans or other services is called "redlining" because of one method used to designate such areas.

The CRA regulations require banks to specify the boundaries of their local communities on a map, write a CRA statement that includes a list of the services and products offered, and maintain a public-comment file. Banks also must post a notice in each branch explaining the CRA and how the public can comment on the institution's performance in complying with the law.

A bank's CRA record is examined and rated as "outstanding," "satisfactory,"

*Proving they meet their communities' credit needs is a paperwork tangle for lenders.*

"needs to improve," or "substantial non-compliance." Community groups can challenge a bank's CRA compliance, holding up the opening of a new branch office or a merger or acquisition.

Despite its community efforts, Treynor State Bank was given only a "satisfactory" rating last year. While that grade doesn't reflect the bank's financial condition and won't hurt its standing in the community, bank president Gutttau says he's not happy with it. "I prefer to have the 'outstanding' in recognition of what we do for the community."

Although the examiners told Gutttau he was doing a "great" job complying with the CRA, Gutttau says, he believes the bank didn't get the higher rating because "we didn't have the pins [showing the geographic location of loans made in the community] in the map the right way. It seems that what's relevant [in determining ratings] is whether or not you've checked the little boxes correctly on the piece of paper that has to be sent to the regulators and not whether you've met the needs of the community."

Indeed, the law's vagueness is a problem for bankers, who don't know how well they are complying on paper with the reinvestment act until the regulators have examined the bank's CRA file.

But it's the documentation requirements of the CRA that bankers protest most. "What we are concerned about is the paperwork and the leverage that the regulators have with regard to that paperwork," says Alan R. Tubbs, president of the American Bankers Association (ABA) and the top executive of the Maquoketa State Bank in Maquoketa, Iowa. "It seems the focus is on the [CRA] file and not on the intent of the law."

The Senate Banking Committee is expected to hold hearings in September on bankers' concerns about the CRA. And legislation has been introduced by Sens. Bob Dole and Nancy Kassebaum, both Republicans from Kansas, that would exempt small community banks from CRA reporting requirements, though not from the law's other mandates.

"The ABA is not advocating the demolition of the CRA," says the organization's spokesman Christopher Reick. "No one is arguing against reinvesting in the community. We are just trying to say that this thing gets absolutely too onerous for small banks to deal with."

*If your company or industry has problems with regulations that you believe are overly burdensome or onerous, write to Regulations, Nation's Business, 1615 H Street, N.W., Washington, D.C. Please identify the specific regulation, the problems encountered, and a phone number where you can be reached.*



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# Seeking, And Finding, The Quality Leaders

By Michael Barrier



PHOTO: T. MICHAEL KEZA

**1992 Blue Chip honorees, from left, Robert Freese of Alphatronix, Steve Berg of DeBourgh Manufacturing, Noel Pooler of Pooler Industries, and Don Rullo of SuperVan received their awards at a U.S. Chamber of Commerce meeting early this year.**

**O**n Sept. 17, the U.S. Chamber of Commerce will offer the first in a series of 10 satellite seminars on Total Quality Management. Included in those seminars, which will be tailored to the needs of small business, will be video case histories of small firms whose dedication to quality and whose success in achieving it have made them models for other companies.

Those firms are among the Blue Chip Enterprises chosen in the annual competition sponsored by the Chamber, Connecticut Mutual Life Insurance Co., and *Nation's Business*. Their recognition in the seminars solidifies a link between the quality movement and the Blue Chip program that has been present since the competition began two years ago.

In the Blue Chip competition, which is

*The Blue Chip Enterprise award program is open to any for-profit company that has five to 300 employees and has been in continuous operation for at least three years. Applications, which must be submitted by Nov. 25, are available from many state and local chambers, or by calling 1-800-AWARD-93.*

entering its third year, companies are judged on how well they have surmounted challenges of the kind that most small businesses eventually face. Applicants must describe how they have marshaled their resources to meet those challenges.

The application's checklist has turned out to be an excellent tool for all small businesses—one that can increase their awareness of the fundamental requirements of quality management and give them solid guidance on how to enhance the quality of their goods and services.

In the Blue Chip competition's second year, judges from business and academic life evaluated hundreds of applications before choosing as many as four Blue Chip Enterprises from each state. Of the 190 Blue Chip companies, 52—one from each state, the District of Columbia, and Puerto Rico—got the judges' nod for scrutiny in a final round. The four National Blue Chip Enterprises for 1992 emerged.

Owners from each nationally designated company received their trophies at the U.S. Chamber's National Business Action Rally last February. Those companies were Alphatronix, of Research Tri-

gle Park, N.C.; DeBourgh Manufacturing Co., of La Junta, Colo.; Pooler Industries, of Muncie, Ind.; and SuperVan, of San Antonio, Texas.

Each company's case history demonstrates in some way how the principles of Total Quality Management can be applied successfully by a small firm:

■ Alphatronix began in 1987 as the manufacturer of a new and highly sophisticated product: a system that permits computer users to read and write on erasable optical disks. The risks involved in offering such an untried product were enormous, but Alphatronix overcame them, by adopting from the start a comprehensive quality program. "We started Alphatronix with a very strong vision of quality and customer responsiveness," co-founder Robert Freese says.

■ DeBourgh moved in 1990 from Minnesota to Colorado and quickly implemented a philosophy of teamwork—a critical element of quality management that had been stymied by what President Steve Berg calls an "adversary relationship" with a Minnesota union. Now even wages are determined in part through peer evaluation, and DeBourgh actively seeks out employee opinions and suggestions. DeBourgh, once a failing business in Minnesota, has seen sales of its all-welded steel athletic lockers shoot up.

■ The DynAmerica division of Pooler Industries, a metal-stamping plant that



*The Blue Chip Enterprise Initiative enters its third year of honoring the best in American small business.*



PHOTO: T. MICHAEL KEZA

**Diana Golden**, a championship skier despite losing a leg to cancer, brought the Blue Chip theme to vivid life in speeches at awards ceremonies like this one.



makes high-precision parts for the automobile industry, was threatened by twin disasters two years ago: An electrical fire heavily damaged the plant, and the plant's owner at the time was arrested (and eventually convicted) on drug charges. DynAmerica emerged from both crises intact, thanks to the kind of active employee involvement that is a hallmark of effective quality programs. With such commitment, new owner Noel Pooler says, "we can make parts that other people can't even think about making."

■ Don Rullo, owner of the SuperVan shared-ride shuttle service in San Antonio, has built a successful business on the cornerstone of all successful quality programs: a keen responsiveness to the customer. Rullo started providing shuttle transportation in San Antonio in 1987, when he saw what he calls "a tremendous vacuum of service." Despite only grudging acceptance at best from city officials, Rullo has satisfied a rapidly growing number of customers by providing fast, economical transportation in sparkling-clean vans operated by courteous, uniformed drivers.

Since the award ceremony, the stories of the four national designees—and of the other Blue Chip Enterprises as well—have been widely disseminated, in keeping with the Blue Chip Enterprise program's mission: to share with small businesses across the country lessons learned

by a number of their outstanding peers.

"First Business," a Chamber-produced, half-hour weekday-morning TV news show at 6:30 a.m. Eastern and Pacific time on the USA cable network, has been profiling the 52 state Blue Chip designees. Some of those video profiles will be rebroadcast as part of the satellite seminars that will be available nationwide this fall. In addition, the video segments are being gathered into a video library.

The stories of all 190 Blue Chip designees have been told in print, in a book titled *Real-World Lessons for America's Small Businesses*. (See the box below.)

All of the companies that apply for a 1993 Blue Chip Enterprise Award will receive copies of the book and the video library that emerge from the 1993 judging. Firms that apply before Oct. 2 will also receive copies of the books profiling the 1991 and 1992 honorees. **NE**



### Now Available: 1992 Blue Chip Stories

Entrepreneurs will find both practical advice and inspiration in the newly published book *Real-World Lessons For America's Small Businesses*.

The subtitle explains the source of those lessons: "Insights From The Blue Chip Enterprise Initiative."

The book contains nearly 200 case histories detailing how small businesses survived major challenges.

A three-volume video library profiling the leading Blue Chip Enterprises in each state is also being produced; the first volume is now available.

To order the book (\$8.95) or the video (\$20 per volume), or to get more information on The Blue Chip Enterprise Initiative, call 1-800-AWARD-93.



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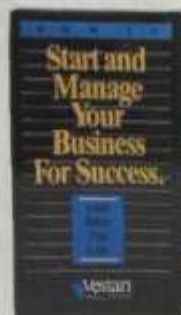


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## MARKETING

# Small Firms' Senior Links

By Glen Macnow

From a perch above the first green, Ann York looked down on a recent Senior PGA Tournament. She saw two of golf's legends, Arnold Palmer and Jack Nicklaus, preparing to tee off. Even better, she saw "a veritable sea of silver heads" among the spectators. "That's when I knew I had come to the right place."

York is the public-relations director for Combe Inc., a manufacturer of hair-care products for men who no longer possess all the hair color of their youth. Company executives had been looking for a new way to market "Great Looking Gray" and

out thousands of freebies, all to people who were eager to try them. The tournament was a great investment for us."

Combe Inc. is not alone. The Senior Tour has proved to be a great money-maker—both for its sponsors and for the small businesses cashing in on its boom.

The tour began modestly in 1980, with two tournaments and \$250,000 in prize money. This year, players will make 43 stops and divvy up \$21.5 million in prize money.

Golfers must be over age 50 to compete. And most players are former PGA regulars thrilled about the chance to swing

spend up to \$5 million a year backing the seniors. They plan ad campaigns around televised tournaments and pay mightily for the publicity that comes from being a title sponsor. Thus have tournaments taken on names such as the NYNEX Commemorative and the PaineWebber Invitational.

Small businesses, of course, can only dream of such campaigns. Yet with packages costing much less than the sums that major corporations pay for sponsorships, small firms can get out their messages in a variety of creative ways. Consider, for example, Pursley Tree Farms, a Parrish, Fla., nursery that spent about \$5,000 this year at one Florida tour stop. Pursley supplied the golf course with temporary flowers, shrubs, and trees—with each display carrying a sign identifying the nursery.

"It's brand-name awareness we're aiming for," says Pursley's marketing director, Elizabeth Hamilton. "The people who attend these events include a lot of builders, contractors, and . . . golf-course superintendents. Those are our customers, and the tournament allowed us to show them our product."

Overall, the Senior Tour's biggest attraction to advertisers is its audience. By and large, the people who attend the events or watch them on television are highly educated men between ages 40 and 60 with salaries above \$50,000 a year. Many are high-income executives.

"The demographics of the people who follow the seniors are perfect for us," says Tom Chaplin, president of Unilens Corp. USA, a Largo, Fla., firm that makes bifocal contact lenses. Unilens spent about \$8,000 at a recent tour stop, setting up a display booth and giving out free tickets to local ophthalmologists. The company also supplied 12 of the senior golfers with its lenses.

Typically, the fans of senior golf are the same age as the participants. They began their business careers during the years in which Lee Trevino, Gary Player, and Chi Chi Rodriguez were building their own careers on the course. Those are the players the fans identify with, the players they want to meet.

Tour officials recognize this. And while many professional athletes are simply out of touch with fans, the senior golfers regularly mingle with their followers. Some even conduct clinics for them.



The Senior PGA Tour's Chi Chi Rodriguez is one of many players with whom fans identify; typically, they built careers—in sports or business—during the same years.

"Just For Men" to a target audience of high-income decision makers over age 40. They found it among the 75,000 paying fans at the GTE Suncoast Classic Tournament in Tampa, Fla.

For less than \$10,000, Combe set up a tent along the first fairway and gave out samples of its shampoos and colorings. "The response was overwhelming," says York. "For four days, the tent was packed with men wanting our products. We gave

before a gallery again. "If I played any other sport, my career would have ended 25 years ago," says Bob Charles, 56, the tour's all-time money leader, with more than \$3 million. "I'd be home in New Zealand shearing sheep. So I thank God every day for the Senior Tour."

He might also thank the sponsors. What has made this enterprise work, more than anything, is a profitable embrace from corporate America and entrepreneurs.

The blue-chippers—such as GTE, Du Pont, and the regional Bell companies—

Glen Macnow is a sports-business writer for The Philadelphia Inquirer.



## Professional golf's Senior Tour provides valuable exposure for companies that play to the gallery.

The elder players seem to go out of their way to involve fans, smile, and joke around. It is a deliberate marketing effort by the tour to make these senior athletes more accessible.

During a recent practice round in a suburb of Detroit, Lee Trevino seemed to sign a half-dozen autographs between each shot. Afterward, he visited a hospitality tent that contained the booths of several dozen small companies, thrilling those sponsors in attendance. He joked with local business people and made fun of the regular tour players, whom he calls "flat bellies."

"The flat bellies are so serious," he said. "They don't smoke, they don't drink beer, many of them never even smile. I guess the difference is that they're out there struggling to make a living while those of us here are just happy to be riding the gravy train."

"Certainly there's a greater concentration of talent on the other tour," says Bruce Crampton, 56, referring to the PGA circuit. "But here you've got more characters, more legends. I think a lot of people would rather see Arnold Palmer shoot a 5-over-par than see some of the best young guys break par."

The true lifeblood of the tour is the two-day pro-am event preceding most tournaments, in which big-name pros play with weekend hackers. At a typical event, says PGA spokesman Tim Crosby, more than 200 local business people pay \$2,000 to \$5,000 apiece for the chance to play in a fivesome with Nicklaus, Palmer, or any other competing pro. The money raised goes to offset the cost of running the tournament.

For the amateurs, the pro-am often fulfills a lifelong dream and provides the chance to impress colleagues with stories of what Trevino whispered on the 13th green. Many of the pro-am spots are bought by sponsors who aim to cultivate business by passing them on to favored

clients. For example, Cadillac's recent sponsorship of three Florida tournaments paid off when the company sold 300 cars to people to whom it had given tickets or pro-am slots, says William J. O'Neill, Cadillac's public-relations director.

On a much smaller level, the local office of CBI Copy Products, a Michigan firm, bought one pro-am slot for last year's First of America Classic in Grand Rapids. The company held a contest in conjunction with a miniature-golf course to award the slot to the best amateur putter.

The media attention was great, according to Doug Lachniet, president of CBI's

"We're blessed in that every year we get a new infusion of top people who turn 50 and join up," says Crosby, the PGA spokesman. "First it was Arnie, then Player and Rodriguez, now Nicklaus and Trevino. Our rookies don't exactly come in as unknown entities."

All of that is extremely attractive to fans and sponsors. Most Senior Tour events now draw galleries approaching the size of the regular PGA tour. Typical, for example, is the Bell Atlantic Classic, in Malvern, Pa., which drew 90,000 people over four days last spring.

"Think of what that means for a spon-



PHOTO: (LEFT) DEBRA JO-JACK STAR

Along the fairway, the Senior Tour's fans sample hair-color products from Combe Inc. and ham from Honeybaked Ham—two companies that want exposure in certain markets.

Grand Rapids office. The only problem arose when the winner turned out to be someone who had never played on a golf course without windmills and artificial turf. "The winner sold it to the second-place finisher," says Lachniet. "That actually got us more publicity."

Obviously the seniors can't claim to be as good as the players on the regular tour. But the Senior Tour's fans and sponsors aren't seeking the best golf in the world. Rather, they are attracted by some of the best golfers in the sport's history.

Palmer, Nicklaus, Player, and Trevino would be candidates for a Mount Rushmore of golf. Palmer, "The King," gave the tour early credibility when he signed up in 1980 and won eight tournaments in his first four years. He remains the biggest draw in golf.

sor," says Bell Atlantic's tournament director, Mary Ann Saleski. "One sponsor, Honeybaked Ham, joined us this year for \$2,500. The company's goal was exposure. For that money, they'll be able to give out their hams and sauces, brochures and coupons to 90,000 people. Where else can you get that kind of deal?"

And where else can a company find a target audience that gets enthusiastic about being surveyed about who they think has the best-looking head of gray hair in the world?

Combe Inc. actually conducted that survey last February at the tournament in Tampa. The winner? Why, Palmer, of course.

"When that result came back," says York, "we knew we had found our market."



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EPA REGULATIONS

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Availability

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Costs

OPERATING  
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MAINTENANCE  
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## EDUCATION

# Business Initiatives For Better Schools

*Companies' efforts to improve education are making a difference for students nationwide.*

By Joan C. Szabo

**K**ragie/Newell, a small advertising agency in Des Moines, Iowa, recently decided to devote all of its public-service efforts to the Des Moines public schools. "Helping local kids achieve is one of the best investments we can make in our community," says Jack Kragie, chairman of the board.

Kragie is representative of business people from across the country who have joined in the national effort to help improve public education.

This participation is growing rapidly through the work of individual entrepreneurs like Kragie and their local chambers of commerce. The Center for Workforce Preparation and Quality Education, an affiliate of the U.S. Chamber of Commerce, has documented information on 1,300 education initiatives sponsored by local chambers throughout the country.

Here is a sampling of those initiatives, seen through the work of five individual business people striving to bring about fundamental changes in the nation's school systems:

## Guiding Young Students in Des Moines

Jack Kragie and Liz Newell own Kragie/Newell, which employs about 75 people, and through their firm they lend a hand to the Des Moines public schools. The husband-and-wife team first became involved in education reform in 1988, when one of the couple's large corporate clients asked them to help with a local project.

The project, known as Smoother Sailing, has since become well-known nationally for the effective counseling it provides to children in kindergarten through fifth grade. A large number of counselors work with students individually, or in small groups, on such issues as divorce, anger, friendship, and study skills. The program provides one guidance counselor for every 250 students, compared with the national average of one for 850 students.

The idea for the program came from a number of business and community leaders who wished to provide a preventive-guidance program for younger children. They thought that such an approach in the elementary grades would produce big dividends by increasing academic achievement and reducing dropout rates, suicides, teen pregnancies, and drug-related crimes.

Kragie/Newell donated its public-rela-

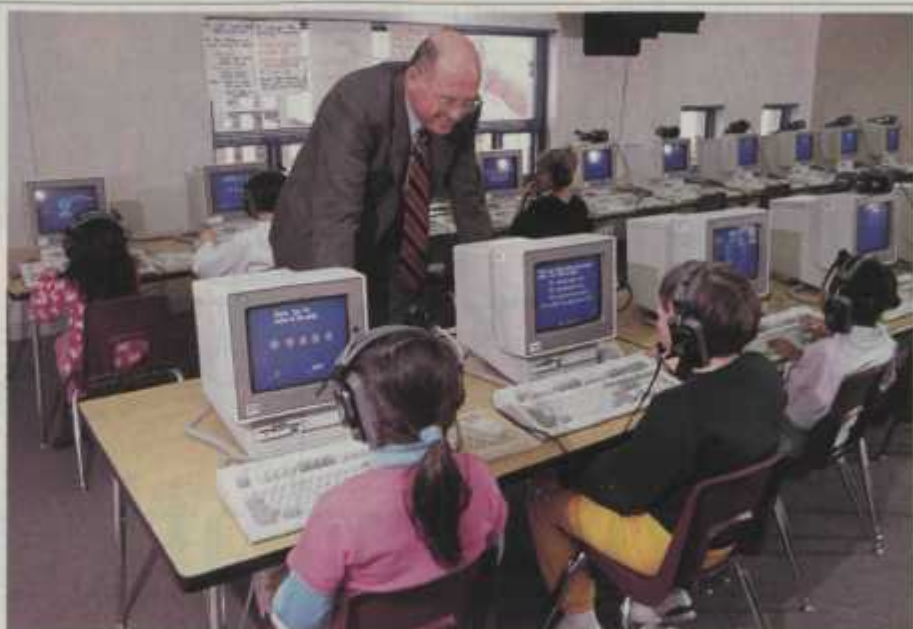


PHOTO: T. MICHAEL KEZA

Encouraging and recognizing achievement: Jostens' Chairman H. William Lawton.



PHOTO: OPHEL HUBER-BLACK STAR

Tandy Corp.'s Chairman John V. Roach.

tions services to increase community awareness of the program, which was launched in 10 pilot schools. The couple packaged the program, named it, and developed a video to explain its benefits. Funding for the program was initially offered by Des Moines businesses, including 16 area McDonald's restaurants. Eventually, Des Moines voters agreed to increase their property taxes to support the program so that all 41 elementary public schools could offer it.

As a result of the success of this counseling program, Kragie/Newell's commitment to and involvement with local education continues to grow. In addition to Smoother Sailing, the firm is involved in Partners for Progress, a program that provides each Des Moines public school with a business firm as a "partner." Kragie/Newell is partnered with Edmunds Academy of Fine Arts, one of two magnet schools in the city's school system.

Because Kragie/Newell is a small business with limited resources and time, Liz Newell says, "one of the things that we have done to help make our commitment more manageable is to get a lot of our staff involved. This gives the employees a real sense of pride."

The firm also has benefited from the programs, Newell says. "We are known in



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## EDUCATION

the community for being very much tied to education. That is helpful to us as business people."

#### Rewarding Students' Academic Success

H. William Lurton is in the business of encouraging students to succeed. As chairman and chief executive officer of Jostens, Inc., Lurton oversees a company that provides schools with a host of products that recognize student achievement—class rings, yearbooks, and caps and gowns, to name just a few. A company with \$860 million in sales last year, Jostens is headquartered in Minneapolis. Lurton also is the 1992-93 chairman of the U.S. Chamber of Commerce.

Lurton's commitment to rewarding students for their scholastic success goes beyond business interests. What started out for Jostens as a marketing effort to increase its potential customer base has turned into a nationwide movement that is helping reduce the high-school dropout rate.

Jostens became interested in the program when a few of the company's scholastic-sales representatives saw it in action at Conway High School in Conway, S.C. The program, which was launched there by Larry Biddle, an assistant principal, applied successful corporate concepts in the school setting. Through a structured program of rewards and recognition, Conway High School students who were the top scholastic achievers became campus heroes.

After several years of helping promote the program, Lurton moved to establish a private, nonprofit foundation—the Renaissance Education Foundation—so that other corporate sponsors could help fund it. Procter & Gamble, Hershey Foods, and Ernst & Young now take part in this expanded sponsorship effort.

Among the foundation's many activities is a conference program that brings educators together from around the country to provide information on launching programs to recognize scholastic achievement. They also learn business principles of recognition that can be used to motivate and reward scholastic achievers.

The grade-point privilege system is one of the most widely used incentives in Renaissance schools. Students who reach a certain grade point for a grading period receive a card entitling them to privileges such as free reserved parking, free lunch at the school cafeteria, early priority registration, discounts at the school bookstore, discounts from local merchants, and all-expenses-paid field trips. Many schools in the program become "partners" with local chamber of commerce members, which in turn offer merchandise discounts to the schools' students who excel academically.

Lurton says the program's participating schools reap certain benefits. For



PHOTO: JEFFERY OWIS-BLACK STAR



PHOTO: T. MICHAEL KEZZE

**Art students in Des Moines view their work with entrepreneurs Jack Kragie and Liz Newell, who developed a counseling program for children. At left, business leader and education reformer Edward Donley, left, speaks with Salisbury Township (Pa.) School Superintendent F. Laird Evans.**

example, Smithfield-Selma High School, in Smithfield, N.C., saw its dropout rate decrease by 33 percent after one year of program participation and the number of students on its honor roll increase by 9 percent.

The foundation has helped start the program in some 2,000 high schools, junior highs, and middle schools nationwide. Thousands more schools would like to take part in a Renaissance conference and learn how to apply the program in their schools, but the foundation lacks the financial resources to pay for all of the schools to go through the process, says Lurton. He encourages other business people to lend their support to the foundation.

The program, Lurton says, has been especially relevant in light of President Bush's America 2000 program, which calls for a 90 percent graduation rate in high schools by the year 2000. For more information, call 1-800-624-5534.

#### Recognizing Teachers And Scholars

John V. Roach, chairman of the board and chief executive officer of Tandy Corp., says he encouraged and supported the

development of a special awards program for outstanding mathematics and science students because he wanted Tandy to be out front in rewarding excellence in public schools.

With its emphasis on computer technology and electronics, it was logical for Tandy to concentrate on those disciplines in any academic-recognition program it might establish. Initially, the company developed a program to reward excellence in math, science, and computer science for high schools in Fort Worth, Texas, where the \$4.67 billion company is headquartered. The local program was so successful that Roach took steps to make it national in scope, and the Tandy Technology Scholars program was launched in 1990.

Each year the program, which is administered by Texas Christian University, makes cash awards to outstanding math, science, and computer-science teachers and students throughout the nation. One hundred teachers receive \$2,500 each, and 100 students receive scholarships totaling \$1,000 each.

Roach says he is quite pleased with the program's results. "We know that the



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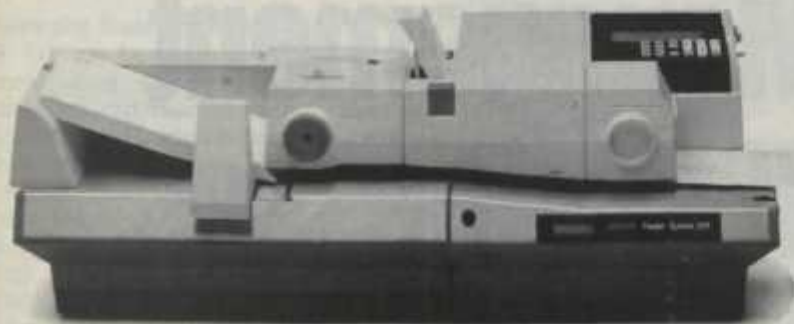
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## EDUCATION

program is bringing attention to the right things in education," he says. "The program is one of the few in the country that places a large emphasis on recognition of teachers. We have found that teachers are highly appreciative of this. It is giving them the opportunity to make a bigger difference in their schools and communities."

### Reforming Schools in Pennsylvania

In the Lehigh Valley of Pennsylvania, the volunteer efforts of business executive Edward Donley have helped implement a school-reform program. Donley, past chairman of the U.S. Chamber of Commerce, is chairman of the executive committee of Air Products and Chemicals, Inc., an international company based in Allentown, Pa.

He also is chairman of the Center for Workforce Preparation and Quality Education, an affiliate of the U.S. Chamber of Commerce.

Donley has a long-standing commitment to improving public education in the United States. He was the major force behind the creation of an effort launched in 1989 to help restructure education in the Lehigh Valley communities of Allentown, Bethlehem, and Easton.

Known as Lehigh Valley 2000: A Business-Education Partnership, the program first undertook a two-year education study involving 400 area residents.

This effort produced eight comprehensive reports with 205 recommendations addressing issues such as the learning and teaching environments, state regulations, curriculum, young people at risk, education for employment, basic- and higher-education cooperation, and choice. After completion of the study, public schools in the area began implementing many of the partnership's recommendations. Donley says that the restructuring already is having a positive impact on student performance.

In addition to his efforts locally, Donley is committed to working with the state of Pennsylvania in helping fashion a statewide reform program. Because of his pioneering work in education reform, Donley was selected by Gov. Robert P. Casey to be a member of the coalition known as Pennsylvania 2000: Coalition for Education Reform.

Donley says he is convinced that these reform efforts will help produce the kind of educated work force needed for U.S. business to compete more effectively with other industrialized countries. Schools, he says, face many of the same challenges that businesses face as they enter the 21st century. As a result, he says, "schools will have to be more streamlined. There will have to be much greater use of technology, with less money going into overhead and more going into the teaching function."



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## POLL RESULTS

# Readers' Opinions On Regulation

*Almost all poll respondents maintain that reducing the burdens of government rules would not hurt society.*

**B**usiness owners strongly favor requiring lawmakers and regulators to take a closer look at the economic impact of federal regulations, according to a recent *Nation's Business* poll. And the overwhelming majority—93 percent—of business people believe the burdens of government rules could be lessened without hurting society.

Readers expressed their views on federal regulations in response to questions posed in *Where I Stand*, a monthly feature that seeks readers' opinions on major public-policy issues.

Eighty-five percent of the respondents to the June poll on regulations represent companies with fewer than 100 employees. Results of each month's poll are sent to leaders in Congress and top officials in the White House.

President Bush announced a 90-day moratorium on new government rules in his Jan. 28 State of the Union address. In April, he extended the regulatory reprieve through August.

During the seven-month moratorium, the administration, through its Council on Competitiveness, has overseen changes in more than 100 pending and existing federal regulations. Those changes will save the public \$15 billion to \$20 billion annually, according to the council.

Lately, the council, chaired by Vice

President Dan Quayle, has come under fire from some federal lawmakers who say it is favoring business interests in reviewing certain regulations. The House voted 236-183 in July to deny funding for the council. Sen. John Glenn, D-Ohio, is pushing similar efforts in the Senate.

Should the regulatory review effort be continued? The majority—91 percent—of respondents to the *Where I Stand* poll on regulation said Congress should adopt legislation to require that analyses be conducted on the likely economic impact of new laws and regulations.

In addition, 87 percent said the Bush administration should permanently require federal agencies to give greater scrutiny to the economic impact of new and old rules.

In general, government rules could be simplified, replaced, or eliminated without adversely affecting the health and safety of workers or consumers, said 93 percent of the respondents; seven out of every 10 of them said they are "significantly" affected by federal regulations.

While some lawmakers are challenging the council, Sens. Don Nickles, R-Okla., and Harry Reid, D-Nev., are moving to take the regulatory-review effort further. They are sponsoring a bill that would require all proposed legislation and regulations to be accompanied by economic-



PHOTO: STEVEN PURCELL—THE WHITE HOUSE

**Vice President Dan Quayle** holds a briefing on the administration's regulatory-review efforts.

impact and employment-impact statements.

Nickles told *Nation's Business* in a recent interview: "Not all regulation is bad, but we've been in a situation for decades in this country where we're really suffocating from regulatory overkill. The regulators have been overzealous; they haven't looked at the real economic impact [of regulations]. We need to change that."

Sen. Orrin G. Hatch, R-Utah, and Reps. J. Dennis Hastert, R-Ill., and Larry Combest, R-Texas, have introduced legislation that would place a three-year cap on the cost of regulations. New regulations could be promulgated, but their costs would have to be offset through revocations or revisions of existing federal rules or reductions in regulatory paperwork.

No hearings have been scheduled on the bills, and neither is likely to see action this year, according to the lawmakers' staff members. But a spokeswoman for Nickles says the Nickles-Reid regulatory bill could be attached as an amendment to legislation awaiting Senate floor action.

Meanwhile, Jeff Nesbit, spokesman for the administration's Council on Competitiveness, says he expects the executive check on proposed and existing regulations to be "extended in some fashion."

## REGULATION

To what degree do federal regulations affect your business?

Significantly: **71%** To some degree: **28%** Not at all: **3%**

Do you believe any of those regulations could be simplified, replaced, or eliminated without hurting society?

Yes: **93%** No: **3%** Undecided: **4%**

Do you believe federal regulations have a greater or lesser impact on your business than state and local regulations?

Greater: **55%** Lesser: **13%** About the same: **32%**

Should the federal government establish uniform national laws in areas affecting business nationally to pre-empt state and local regulations?

Yes: **33%** No: **43%** Undecided: **24%**

Should the Bush administration permanently require federal-agency scrutiny of new and old regulations for their economic impact?

Yes: **87%** No: **7%** Undecided: **6%**

Should Congress pass a pending bill to require that proposed new laws and regulations be accompanied by analyses of their likely economic impact?

Yes: **91%** No: **5%** Undecided: **4%**



# Financing Your Franchise

By Meg Whittemore

*Because finding money for franchising is a challenge, borrowers must be creative in structuring their financing packages.*

**A**mong institutions with money to lend, franchising is attracting increased interest. "The smart money on Wall Street is watching franchising," says Carol Hance, a financial strategic adviser and managing director of Strategic Advisory Group, in Sag Harbor, N.Y. Her partner, Michael Seid, puts it another way: "In the 1950s, franchising was thought of as a somewhat sleazy business venture, but today [franchising] is highly thought of as a solid investment opportunity in the financial lending industry."

Even though there is said to be optimism among lenders toward franchising, finding money to start, buy, or expand a franchise remains a challenge for many borrowers. Although there are more varied funding sources and more creative methods of structuring a financing package than there have been in years past, borrowers still have to search out the sources and structure the deals.

Banks are beginning to loosen their funding reins where franchising is concerned, but many franchise experts say the reins are still held too tightly. Richard Godwin, president of The Packaging Store, a packaging and shipping franchise based in Englewood, Colo., earlier this year tried unsuccessfully to get a business line of credit from three different banks in the Denver area. "If the bank doesn't see hard assets as collateral, the deal dissipates," says Godwin, "even after we point to file cabinets filled with franchisee contracts and say, 'That pays us \$2 million a year.'"

Franchise experts say the lending industry needs help in understanding franchising and, at this point, the education must come from the borrower. Don Ervin, a former banker and past president of the franchised Precision Tune company and now a financial consultant on franchising, in Arlington, Va., says that "this is an opportunity for borrowers to really get to know their lenders" and to build a relationship that will work in their favor. (See "Tips On Getting A Loan," on Page 55.)

But banks are not the only lending sources for would-be borrowers. Last year, commercial banks made only about 26 percent of all loans in the U.S. The remaining 74 percent of loans came from nonbank lending institutions, such as Capital Credit Corp., General Motors Acceptance Corp., and American Express. "That means that commercial banks will be stretching in the future to

printed forms to help you with these calculations.

■ Determine your credit potential by reviewing your credit history. The IFA says poor credit history is the leading reason for rejection of loan applications. Your banker can tell you whom to contact for a copy of your credit rating.

■ Develop a detailed business plan before going to a lending institution. The

IFA says the plan should include a resume of your business experience, an estimate of your income and expenditures for the first year of your business, and a marketing plan. Your business plan should describe the franchise, analyze the competition, explain why you expect to succeed, and tell how you will sell the product or service.

The IFA says you should carefully consider the major sources of financing available to you. These sources can include friends and relatives, banks, a second mortgage on your home, borrowing against insurance, securities, or a loan through the U.S. Small Business Administration. It can even include the franchisor.

Some franchisors are offering a menu of financial aids that, when combined, cover the total start-up cost of the franchise. This approach can take various forms—equipment-leasing programs, waiver of the franchisee fee,

in-house help to qualify for a loan, and arrangements with banks or lending institutions for financing packages.

"There is much more franchisor-assisted financing going on than ever before," says Les Rager, a franchise consultant in Atlanta, "because franchisors realize that in order to add units, they are going to have to offer some form of help to prospective franchisees."

John Graves, founder and president of Bike Line, a franchise headquartered in West Chester, Pa., tries to give potential franchisees a helping hand. He first sends the prospect to Bike Line's in-house financial adviser, a former bank loan officer. The adviser assesses the candidate's creditworthiness and recommends



PHOTO: USAI/DAIRCO-JA-BLACK STONE

*Bike Line's financing program has evolved because "it is such a tough banking environment," says President John Graves.*

try to reclaim that market," says Ervin.

Nonetheless, the borrower in franchising is left with the question of what approach would be best for obtaining financing. The answer for these times is to start thinking creatively. Beyond that, opinions vary on where to go, how to structure loans, and even on the outlook for getting a loan.

In its *Franchise Opportunities Guide, Summer 1992 Edition*, the International Franchise Association (IFA), a Washington, D.C.-based organization of franchisors, suggests the following tips for prospective borrowers:

■ Determine your net worth by calculating your assets and liabilities. Many banks and lending institutions have pre-



## Financing Advice For Women And Minorities

Learn how to blend your sources of financing, Susan Kezios tells women and minority-group members who want money for franchising. "It's a trick that you must know if you are going to succeed in the financing game," she says.

Kezios is president of Women In Franchising, a Chicago-based firm that specializes in franchise-ownership training for women and minorities. Kezios, who also conducts seminars for the U.S. Minority Small Business Development Agency, says there are four principal sources of capital for women and minorities—self-financing, franchise companies, the private sector, and the public sector.

**Self-financing** is what the term implies—drawing on capital that is liquid. This could include cash savings, money-market funds, stocks, retirement funds, or loans from friends, family members, or associates. "The first step," says Kezios, "is to find out how much capital you have—whether it is \$500 or \$50,000."

**Franchise companies** sometimes can lend to franchisees.

**Private-sector financing** is money that you borrow from banks or other lending institutions.

**Public-sector financing** includes fed-

eral, state, county, and municipal lending programs available.

Federal programs are typically administered through the U.S. Small Business Administration (SBA). (See "Alternative Sources Of Financing," on Page 58.) However, Kezios says, "What we find most exciting are the [programs] on the state, county, and city levels, the ones that are tied to job creation."

The loan programs offer lower interest rates—sometimes as low as 3.5 percent—and the loan amount is tied to the number of jobs the business creates in the state, county, or city.

The programs are covered by a wide umbrella of agencies that vary in name from state to state. "They might be called a microloan program, a lengthy-deposit program, a revolving loan program, GAP financing, or something else entirely," says Kezios.

Start with your state's department of economic development and ask if there are any programs that are tied to job creation. Kezios suggests that you explain your purpose to the person you contact and describe the kind of franchise you are trying to purchase. "You have to educate absolutely everyone you talk to," she says.

Information about job-creation programs may also come from city chambers of commerce, county development corporations, local or regional SBA offices, the state treasurer's office, and the state commerce department.

One of the benefits of having public-sector financing as part of your loan package is that it reduces the risk to the banker and makes your equity investment lower.

For example, under a typical loan arrangement, the bank might finance 75 percent of the total cost and you would be responsible for 25 percent. When public-sector funds are used, however, they might cover 40 percent of the loan, the bank's risk could be cut to 50 percent, and your equity investment would drop to 10 percent.

Another advantage to blending your money with the bank's and with public-sector funds is that you can reduce your initial cash outlay and lower your monthly debt service. "You'll get longer amortization with public-sector loans, and you may have to pay interest for only part of that time," says Kezios, and such an arrangement might enhance the franchise's ability to survive.

Says Kezios: "It's not so important where you get your capital from, it's how you structure it."



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the next steps. "We actively talk with their banks, and we have our banks to vouch for us as the franchisor," says Graves.

It costs \$90,000 to \$130,000 to open the doors of a Bike Line franchise, which sells bikes and home fitness equipment. Graves says there are several avenues to take to get the numbers to work. For example, if the franchise costs \$100,000 and the franchisee has \$50,000 in cash and needs to borrow \$50,000, Graves recommends applying for a home-equity loan.

For those unable to pursue that option, says Graves, "we've been able to work with some banks where we give them first lien on all the franchisee's inventory, which is \$70,000." The bank typically lends 50 percent of the inventory price—which would be \$35,000.

That brings the total amount available to \$85,000, with \$15,000 left to raise. If the franchisee has no other means of getting the money, and "if we really feel comfortable with [the candidate], we are willing to take back \$20,000—the franchise fee—at a rate of 9 percent interest over 36 months," says Graves, "but we are only willing to come in for the last \$20,000." Under this arrangement, Bike Line agrees to take second position to the bank.

Graves says that this financing program has evolved in the past six to seven



PHOTO: GARY FINE/ISTOCK—BABA

**American Recycling's Harvey Matarasso, vice president of sales.**

months because "it is such a tough banking environment right now." Out of Bike Line's 11 franchisees opened during that period, only one used Bike Line's financing offer. That franchisee could accumulate only \$85,000, says Graves. "I felt they were good people, in a good location, and they were close enough [to the total amount] so there was no reason why they shouldn't go into business for themselves."

Helping the franchisee with equipment costs is one way of reducing the total

start-up costs. American Recycling, a franchise that specializes in recycling metals, offers its franchisees a program in which the equipment may be leased with an option to buy. "We have made arrangements with various equipment lessors, and our franchisees usually work out a five-year lease with an option to buy," says Harvey Matarasso, vice president of sales for the franchise.

The equipment-leasing program costs \$18,000, and the total start-up cost ranges from \$98,500 to \$142,000, depending on the size and location of the unit.

The equipment is the lifeblood of the franchise, says Matarasso, because it is used to prepare the metals for recycling. Franchisees need a crusher, which flattens aluminum cans and sends them to a trailer outside the building, and a shear, which is used both to cut impurities from the aluminum—such as steel screws in an aluminum door—or to cut lengths of pipe into manageable pieces.

"We help our franchisees with all the paperwork, and we work with them to make sure they get the leasing arrangement that works best for them," Matarasso says.

When David Lawrence went shopping for a franchise, he wanted a break on the total start-up cost of the business. His search led him to an existing Deck The

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**Deck The Walls** franchisee David Lawrence bought a 3-year-old operation "for half the price" of a new store. "The risk is lower, [and] the opportunity is better."

Walls franchise in Houston. He bought the 3-year-old operation "for half the price I would have paid for a new store," he says. "The risk is lower, the opportunity is better, and most of the start-up bugs have already been worked out."

Deck The Walls franchises offer prints

and framing services and typically are located in shopping malls. "I don't see any difference between buying a used house and buying an existing business," says Lawrence. "You're going to get a better price either way."

Lawrence worked with one of the

several lending institutions recommended by Deck The Walls and structured his financing so that he came up with the purchase price of approximately \$130,000. "As a minority, I was looking for a program that I could qualify for," he says.

With help from the lender, Lawrence acquired a U.S. Small Business Administration loan in which his portion was 35 percent of the total amount, with the lender financing the rest. Lawrence's portion—about \$50,000—came from his savings and from loans from friends and relatives.

The owner who was selling the franchise that Lawrence was buying stepped forward as the guarantor, and the sale went through. The previous owner spent six months working with Lawrence to ensure a smooth transition. Lawrence says that sales so far this year are holding steady.

"If you are going to get into franchising, look at existing stores that you can take over," says Lawrence. "Some franchisors are even willing to set up a lease/purchase arrangement, too, where you operate as a general manager and, if sales are good, the franchisor negotiates a partial payment of the note."

Innovative ways to arrive at the bottom

*Continued on Page 56*



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## Tips On Getting A Loan

If you applied for a franchise business loan from a bank several years ago, the loan officer was probably interested in what the financing industry calls the "three C's" of creditworthiness—capital, capacity, and collateral.

Today, some franchise experts say, bankers are re-evaluating their lending criteria. "The coffers are filling up, and there is a greater willingness to lend," says Don Ervin, a former banker and franchisor, "but the problem is that it takes more to qualify for a loan today."

Ervin, president of Enterprise Management Group, a financial-management consulting firm based in Arlington, Va., says that bankers now look at "seven C's," which together "combine to cement the relationships between the banker, the business, and the community."

When you look for a loan, be prepared to show your strengths in the following areas:

**Capital.** What kind of capital is in your business? What is its source? Is money that the business generates put back into the business or taken out by the owners?

**Capacity.** Bankers will want to know about the leadership and experience of

the people in your business. What kind of payments have they made on past credit? How much depth is in the business structure in leadership and experience?

**Character.** Be prepared to tell the banker about your work traits. What are the values and the principles of the people in your business? Include a mission statement if you have one, Ervin says, and "don't say anything to the banker that you can't back up either in research or in historical data on your company."

**Commitment.** Bankers want to see loyalty and dedication to the business by you and your employees. This commitment may be in the form of capital you have invested or time you and your employees have devoted to the business.

**Customers.** "When things are going well, the economy is extremely strong, and there is plenty of collateral," says Ervin, bankers are less likely to ask "questions like 'Does the community need your product or service?'" Times have changed, however. Now, you should plan on answering questions about the competition in your market, why your firm would stand out, what your image would

be, and how you would maintain your market share.

**Community.** Bankers will want to know how this business relates to the community in areas such as the environment and job creation. Bankers feel a responsibility to help businesses in their community, Ervin says, because "if the community doesn't survive, the banks don't survive."

**Collateral.** Since bankers have been disappointed with the major source of collateral in recent years—real estate—Ervin suggests that business people avoid talking about collateral for as long as possible. "To put your best foot forward in the banking relationship, focus on the other 'C's' as evidence of your ability to make your business successful, enabling you to pay back what you are asking for," he says. Then offer your collateral as "secondary protection for the bank."

Ervin also suggests you help your banker learn about your franchise. Strategies such as sending material to the banker about your business or suggesting an on-site visit will start the process that Ervin believes is necessary for a successful relationship with your banker.

(To express your views on obtaining credit, see *Where I Stand*, on page 80.)

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Continued from Page 54

line are cropping up increasingly in franchised businesses—whether it is finding money to buy a franchise or raising money to expand a franchise system. In 1980, Richard Godwin opened The Packaging Store in Denver. It specialized in packaging and shipping parcels and oversized articles that were not handled by other package-delivery companies.

In 1984, Godwin wanted to franchise his business but didn't want to pay the \$40,000 that most franchise consultants were charging at that time to handle the legal documents involved in setting up a franchise system. So Godwin formed a partnership with a franchise attorney, and together they took the business into a franchise system. "I financed the cost of starting a franchise by bringing in a partner who could take me to that level," says Godwin.

The next step was to expand nationally. Godwin avoided bank financing and instead offered area development rights for \$25,000 each. Each area-development agreement functioned much like a broker arrangement, in which the area developer brought qualified buyers to Godwin, and if a sale went through, the developer was paid \$5,000 and a percentage of the franchisee's royalties.



Baskin-Robbins franchisee Jack Cooper, left, with his son Vincent.

The business quickly accumulated about \$500,000. "This was the reason for our success," he says. "The area developers got us off the ground quickly." The \$500,000 was put into an escrow account "not for spending but for cash reserves and for our financial statements," says Godwin. The franchise has grown to more than 370 units in 42 states, Puerto Rico, and Mexico.

The total cost of a Package Store franchise is \$40,000 to \$50,000, and most franchisees borrow against the value built

up in their homes, says Godwin. "About half of that [amount] can be eased through our arrangement with equipment-leasing agreements, which brings the cash outlay to \$25,000."

Godwin's advice to other franchisors who are trying to help their franchisees—or themselves—is that they make an effort to market their franchise to the banks. "Give the banker your business plan in great detail and as much information as possible to raise their comfort level," he says.

The one thread that runs throughout franchise purchases is that the buyer must have some money to bring to the start-up. "If you have little cash and are not creditworthy enough to get a loan from a bank, you are setting yourself up for undercapitalization," says consultant Rager.

Susan Kezios, president of Women In Franchising, agrees. Kezios, whose Chicago-based firm specializes in franchise-ownership training for women and minorities, says, "You cannot go to a franchisor and expect to get financed 100 percent."

"You've got to have something to put on the table because the bank's first question is, 'How can I get my money back?'" says Jack Cooper, a Baskin-Robbins franchisee in Falls Church, Va. Financing wasn't

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a problem for Cooper, who had significant savings as well as two retirement incomes. His application for financing was quickly approved by a West Coast bank recommended by Baskin-Robbins.

Cooper's total start-up cost was \$252,000, and \$90,000 of that amount came from his personal funds. "I chose ice cream because even in a recession, people will still treat themselves to an ice-cream cone or a sundae," he says.

His advice to other aspiring franchisees? "Look around a long time before you select your franchise, take a course in small-business management, be honest with your banker, and have some form of collateral," he says.

There are a number of ways to finance a franchise without going to a bank. (See "Financing Advice For Women And Minorities," on Page 52.) However, for the foreseeable future, banks and lending institutions continue to be the primary sources of financing for franchise purchases. As franchisors and franchisees continue to educate the lending industry about the success of the franchise system, the cautious lending practices of most banks may soon be replaced by more-enthusiastic policies on lending for franchisees.

## Resources On Financing

Sources of information on financing a franchise include the following:

**Fred Hale GPS, Inc.**, 321 North Spring, St. Louis, Mo. 63108; (314) 533-1393.

**Illinois Department of Commerce and Community Affairs**, Paul Gibson, Manager, Advocacy Unit, Minority and Women's Program, 100 W. Randolph, Suite 3-400, Chicago, Ill. 60601; (312) 814-6646.

**International Franchise Association**, 1350 New York Ave., Suite 900, Washington, D.C. 20005; (202) 628-8000.

**National Association for Female Executives**, 127 West 24th St., 4th Floor, New York, N.Y. 10011; (212) 645-0770.

**Nebraska Business Development Center**, 1313 Farnam, Suite 132, Omaha, Neb. 68182-0248; (402) 595-2381. (For Nebraska residents only.)

**Women In Franchising**, 53 W. Jackson Blvd., Suite 756, Chicago, Ill. 60604; (312) 431-1467.

The **Minority Business Development Agency** offers six free, daylong seminars on franchising, each with a section on financing. The programs, presented by Women In Franchising, are set for:

- Sept. 10, Brownsville, Texas.
- Sept. 12, Seattle.
- Oct. 10, Atlanta.
- Oct. 17, Charlotte, N.C.
- Oct. 24, Boston.
- Nov. 21, El Paso, Texas.

For reservations, call Women In Franchising at 1-800-222-4943.

**"Franchising: How To Be In Business For Yourself But Not By Yourself."** This 58-minute videotape contains advice from lawyers, accountants, bankers, and government officials on topics such as evaluating franchise offers, negotiating with franchisors, and starting a business. It is available in VHS or Beta format for \$49.95 plus \$4 for shipping and handling from *Nation's Business*, Circulation Department, 1615 H Street, N.W., Washington, D.C. 20062-2000; 1-800-331-1234.

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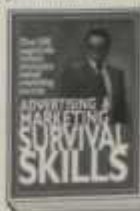
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## Alternative Sources Of Financing

Here is a summary of direct and guaranteed loans available through the Small Business Administration:

**Small Business Administration.** The U.S. Small Business Administration (SBA) offers guaranteed loans of up to \$500,000. Some direct loans are also available for certain categories of borrowers who cannot secure a guaranteed loan.

**Small Business Lending Companies.** SBLCs are licensed by the SBA. Four of the 16 SBLCs are primarily for franchise start-ups and expansions.

**Small Business Investment Companies.** SBICs are licensed by the SBA and provide equity capital and long-term debt financing. Many specialize in certain industries and become directly involved in firms' day-to-day operations.

**Business and Industrial Development Corporations.** BIDCOs provide long-term financing to small businesses, operate under state programs, and are backed by federal guarantees.

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# Japan Offers Help To U.S. Exporters

By Albert G. Holzinger

**S**mall and mid-sized U.S. businesses can find it relatively easy to export to the lucrative Japanese marketplace—especially when they turn to the Japanese for assistance.

A growing number of Japanese business and government entities have begun supplementing the U.S. Department of Commerce's long-standing efforts to locate American entrepreneurs selling distinctive, high-quality products suitable for the Japanese market. The Japanese organizations then help remove the cultural and structural barriers between smaller U.S. firms and Japan's consumers.

These trade-assistance programs will have only a limited impact on America's enormous trade deficit with Japan. But the programs do help counter the criticism that Japanese companies have a much easier time entering the U.S. market than U.S. companies have in competing in Japan. In addition, the export assistance to U.S. firms is already having a big effect on the bottom lines of participating small-business owners such as Dave and Kathy Knudsen.

Eighteen years ago, this husband-and-wife team had no thought of exporting to Japan. They were concerned solely with the basics of establishing Knudsen's Candy Factory, in Haywood, Calif., about

20 miles south of Oakland. Theirs was indeed a small business: The Knudsens made their candy and sold it to retail customers—all in 700 square feet of space.

Over the next decade, the Knudsens transformed their company from a mom-and-pop shop into a custom maker of mostly chocolate candy products for large national firms. Their sales now total about \$2 million a year, and they employ 25 workers in manufacturing and eight in packaging and shipping. The Knudsens have never had a sales staff or advertised their products, but that did not keep Jerry N. Zaki from learning about them.

Finding U.S. companies with export potential is Zaki's job as head of the USA Export Office of Toyota Motor Sales U.S.A., Inc. Zaki, whose title is national manager of international business development, says his office identifies such companies and connects them with members of Toyota's formidable network of Japanese importers, trading companies, wholesalers, and retailers. Toyota may even elect to represent an American manufacturer's product in Japan on a commission or fee basis.

The Export Office, in operation since 1985, also helps fledgling American exporters understand Japanese import reg-

*Small U.S. firms are getting help from Japan in marketing to its affluent consumers.*

ulations and prepare export documentation, arrange for shipping or other transportation, and register trademarks and patents in Japan.

So far, the Export Office has about 30 success stories, Zaki says, but that number could soon rise dramatically as the result of a national advertising campaign conducted by Toyota last fall. In the wake of that campaign, more than 400 U.S. companies wrote Toyota and asked to be considered for its trade-aid program. Toyota is now screening respondents.

Referring to Knudsen's Candy Factory, Zaki says: "We believe there is a great market in Japan for high-quality chocolate products. We were able to work with Dave in developing a unique formula that appeals to Japanese taste."

Toyota's design department helped out by developing what Zaki characterizes as an "exquisitely elegant" shipping box. This was no small contribution to the Knudsens' export efforts, because product appearance is almost as important as product quality to Japanese consumers.

Finally, the Toyota Export Office introduced the Knudsens to representatives of Japan Air Lines, who distribute the California company's Belgian chocolate truffles to passengers on JAL flights. Toyota also bought truffles from the Knudsens to distribute to some of its dealers for use in promotions and as gifts.

Toyota's program is not Japan's only voluntary business-to-business outreach effort. In fact, these programs have become increasingly commonplace under the Japanese government's "Business Global Partnership" initiative launched last year. Under the initiative, 40 major Japanese industrial firms, including Toyota, pledged to cooperate in helping U.S. companies export to Japan. The initiative has gained momentum, and the number of participating Japanese companies now totals more than 300.

Japan's Ministry of International Trade and Industry (MITI) is supporting the efforts of these public-sector participants with an arsenal of new government inducements for importing, including tax incentives, tariff reductions, and two loan programs—one for financing construction of import facilities and the other for making export financing available to foreign firms through Japan's Export-Import and Japan Development banks.

Soon to be built by MITI are "trade-

**Japan has become an important market for Old Hickory Pole Furniture Co., says Craig Campbell, president of the Shelbyville, Ind., firm.**

PHOTO: SUZIE STANLEY-BLACK STAR





access zones" near major international ports and harbors in an effort to overcome Japan's current lack of an efficient distribution infrastructure.

Most important for U.S. entrepreneurs, however, MITI has strengthened its financial support for the ongoing programs of its Japan External Trade Organization (JETRO), based in New York. This organization, founded in the 1950s, strives to increase imports. It has more than 1,200 staff members in 57 countries.

Until recently, Craig Campbell, president of Old Hickory Pole Furniture Co., Inc., had never heard of JETRO. Now, the Shelbyville, Ind., entrepreneur has firsthand knowledge of JETRO's programs and can testify to their effectiveness.

About a year ago, Campbell was approached "out of the blue" by Toshio Keta, JETRO's senior trade adviser for Indiana, and by a representative of the state's Department of Commerce. The pair urged Campbell to display some of his vintage American furniture at the International Furniture Fair in Tokyo last November.

Keta and Uheiji Abe, a JETRO product specialist, advised Campbell on selecting



PHOTO: ELAINE BLE SCOTT

**Kathy and Dave Knudsen make Belgian chocolate truffles with the Toyota and Lexus trademarks.**

products for the show and helped arrange shipping. JETRO officials in Tokyo provided for a booth and translators and arranged for potential Japanese distributors to visit.

Campbell has since entered into an agreement under which Miura Shoji K.K., a trading company, is to serve as Old Hickory's Japanese sales agent. At first, the trading company ordered 450 pieces. Then it placed Campbell's furniture in two Japanese mail-order catalogs and on the Fuji

home-shopping television network, and the orders have cascaded in.

"Before this show, our exporting was confined to small, single orders from individuals that did not even amount to 1 percent of our sales volume," says Campbell. "Today, 5 percent of our business is exporting, and that is expected to be 10 percent next year."

A growing number of companies like Old Hickory Pole fill the pages of a book of U.S. export success stories compiled by JETRO. It is one of many useful books, pamphlets, and periodicals published by the organization.

However, helping foreigners exhibit at Japanese trade fairs and printing informational literature are but two of the JETRO functions in support of imports.

The organization, with seven U.S. offices, assigns its senior trade advisers and product specialists to scour the U.S. for products with potential for export to Japan. JETRO also sends buying missions to U.S. trade fairs overseas and hosts export-promotion missions and foreign business people visiting Japan. It conducts hundreds of seminars worldwide annually to promote exporting to Japan. And it maintains a database trade-matching system.

Past efforts by the Japanese to promote imports have had "varying degrees of success," says a U.S. Commerce Department official. However, he notes, "I do think that the whole weight has shifted to a more open and accessible Japanese market." ■

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## Call For Information On Exporting To Japan

Here are sources of information on ways to reach the Japanese market:

**American Chamber of Commerce in Japan:** 8133-433-5381 (in Tokyo); for publications only, (202) 463-5460.

**Japan Development Bank:** (202) 331-8696; (212) 949-7550.

**Japan Export-Import Bank:** (202) 331-8547; (212) 888-9500.

**Japan External Trade Organization (JETRO):** Atlanta, (404) 681-0600; Chicago, (312) 527-9000; Denver, (303) 629-0404; Houston, (713) 759-9595; Los Angeles, (213) 624-8855; New York, (212) 997-0400; San Francisco, (415) 392-1333.

**Japan Ministry of International Trade and Industry:** (212) 819-7770.

**Toyota Motor Sales Export Office:** (310) 618-7922.

**U.S. Department of Commerce Japan Export Information Center:** (202) 377-2425.



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# Family Business

*Why family firms often last no more than three generations; planning for both succession and growth.*

## PLANNING

### Shirt Sleeves To Shirt Sleeves

By John L. Ward and Craig E. Aronoff

In virtually every language there is a similar, fatalistic view of family wealth and enterprise. In England the phrase is "from clogs to clogs in three generations." In Italy, it's "from barn stalls to the stars and back to barn stalls."

In Chinese there is a comparable expression: "The first generation builds the wealth; the second generation lives like gentlemen; the third generation must start all over again."

Our statistical research supports these observations about family-owned firms. The average life expectancy of a successful business owned by one family is 50 to 60 years.

In other words, the typical family ceases to own the source of its wealth sometime late in the second generation or early in the third.

Why? We've long been interested in learning the causes or reasons for "shirt sleeves to shirt sleeves." As planners, we want to understand the forces that work against family-business continuity so that preventive efforts might be taken.

We think we have identified six major "pathologies" that can afflict family businesses as they pass through the generations. Certainly none of them is inevitable, but they offer real challenges to most families.

**Inherited wealth can destroy entrepreneurial drive.** When security and affluence come too easily, the work ethic can be compromised. Success requires sacrifice, but that lesson is difficult to learn when wealth eliminates the need for sacrifice.

The second generation, no matter how intelligent and educated, can fail to develop the "fire-in-the-belly" determination to lead a business through the demanding challenges of change.

Some families counteract this syndrome by requiring their heirs to purchase the business and thereby experience the pressure of debt. Others give the business as a gift but give no other family cash—perhaps leaving the cash to charity.

Both approaches are based on the commitment to pass on opportunity but not readily consumable wealth.



ILLUSTRATION: GARY CHEN

**Successful entrepreneurs can't change personal patterns.** We have read that "the price of the battle for early survival is the later need for stability, control, and security." We see this frequently. The formula that provides early success must change with the times, but the entrepreneur fears changing the recipe. We see business after business become rigid, frozen by unchanging industry definition, company mission statement, competitive assumptions, and day-to-day policies. Involvement of a board of outside directors is the best way we know to challenge historic assumptions and build the entrepreneur's courage to change.

**A dominant focus on business leads to an underdeveloped family.** The tensions and long hours of developing and running a growing or struggling business can distract an entrepreneur's attention from family life and discourage development of family skills. Family members fail to experience the process of talking through and solving problems, and as a result, those skills are lacking when they are

needed by those who are to lead the business in the next generation.

When we observe families in which these skills are highly developed, we usually discover that they have resulted from extra-special efforts made by the spouse of the business leader.

**Business financial growth can't keep up with family expansion and rising family lifestyles.** Families usually grow exponentially—and with hopes for ever-improving standards of living. Few businesses have that much perpetual potential. Moreover, the business must fund confiscatory death taxes.

Frankly, the longest-lasting family businesses we know typically have a limited number of family members dependent on the business for their financial welfare. By having few offspring per generation, developing other sources of income, restraining lifestyles, or using capital from other investors to expand their resources, balance can be maintained between family financial demands and the business's ability to supply funds.

**Family lacks respect for the professionalism of effective management.** Because family members may not be well-educated in management, they don't fully understand the sophistication and art required to be a manager. Consequently, they put ill-prepared family members in important positions, fail to adequately reward key managers, or are unable to identify, recruit, and retain great managers.


Whatever the reason, without effective professional management, the business is weakened.

The best family businesses we know have extraordinarily high standards for their managers—whether family or not.

**Business becomes an arena to act out family conflicts.** Almost all families have rivalries and rebels. Some have jealousies and perceived injustices from long ago. All these conflicts become focused in the business. Were there no family business, the conflicts would probably still exist and be unresolved, but there would be no inviting forum to encourage perpetual re-enactment.

Families must recognize that conflicts are normal and must work to manage conflict through family meetings, by en-





## Mark Your Calendar

### Sept. 13, Des Moines, Iowa

"Success and Survival for Family-Owned and Closely-Held Businesses," a workshop that covers major issues of succession planning. Contact Rena Moline, Family Business Group, McGladrey & Pullen, Suite 1300E, 800 Marquette Ave., Minneapolis, Minn. 55402; (612) 376-9328.

### Sept. 29, Minneapolis

"Managing Succession Without Conflict: Critical Issues Facing Families in Business" is a half-day seminar for all family members. Contact Ross Nager of the Arthur Andersen Center for Family Business at (713) 237-2770.

### Oct. 13, Hatfield, Pa.

"Perpetuating the Family Business—The Ultimate Management Challenge" is the theme of the first annual Delaware Valley Family Business Conference. Contact Henry D. Landes Associates, Box 376, Harleysville, Pa. 19438; (215) 256-3011.

### Oct. 15, Ann Arbor, Mich.

"Family Business Succession Planning: The Non-Financial Aspects," a seminar for family-business owners and managers. Contact the Newport Group, 455 E. Eisenhower Parkway, Suite 210, Ann Arbor, Mich. 48108; (313) 769-8000.

### Nov. 11-12, Corvallis, Ore.

A "Succession Survival Hands-On Retreat" walks family-business members through Oregon State University's new "Succession Survival Kit." Call the university's Family Business Program at (503) 737-3326.

### How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

couraging personal growth and the development of communication skills, and by strengthening family relationships.

Of course, there are other forces that can snuff out multigenerational business continuity. For the six problem areas we have discussed, at least there are effective antidotes. These regimens require considerable self-awareness and effort. Families need powerful motivation to address and resolve the inherent challenges to healthy family business life. If all involved embrace the family business as a cherished opportunity, the effort—and the risk—seem more than worth it.



John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

## RESOURCES

### When A Business Must Change Hands

*Passing the Torch*, by Mike Cohn (McGraw-Hill, \$17.95 paper, \$39.95 hardcover), is the substantially revised second edition of this book, subtitled "Succession, Retirement, and Estate Planning in Family-Owned Businesses."

Covered are such issues as overcoming personal hurdles to a successful business transfer (including solving family conflicts), managing the value of your business, techniques of ownership transfer, and creating options when there's uncertainty over who the successors will be.

*Passing the Torch* is especially thorough on the financial, legal, and tax aspects of transferring ownership of a family firm, but it pays attention to the emotional issues, too.

For example, one chapter looks at the stages of life, from early adulthood to late adulthood, and how those stages affect business decisions. Another deals with family members' individual commitment to a business.

The author is president of the Cohn Financial Group, Inc., a Phoenix-based company specializing in the design and implementation of ownership-succession and wealth-transfer plans for family businesses.

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## CASE STUDY

## Estate Planning During Expansion

Sam and Sarah Jones know it's well past time for them to do some business and estate planning, but they have had a hard time facing up to it.

Sam, 67, has spent 40 years in the meat-packing business. Five years ago, he and Sarah, 63, acquired 100 percent ownership of their company after buying out other shareholders.

Sam is president of Jones Packing. Sarah is vice president, and two of their three children—Tom, 40, and Bill, 41—are active as well. Their third son, Frank, has pursued his own career as a school principal and has no interest in the business.

The Joneses plan to launch their own brand of prepackaged meats and expect



ILLUSTRATION: DAVID CHEN

the company's future growth to come from this line.

The company has been profitable, and

the family's Subchapter S election has been a valuable benefit.

For many years, the company has leased a warehouse and cold-storage facility. Sam and Sarah recently signed a contract to acquire the facility on very favorable terms. Other businesses also lease space in the facility. Sam and Sarah are confident that the property will produce income from leasing space not only to their own company but also to other tenants. And they believe the property will appreciate in value.

Jones Packing, the warehouse and cold-storage facility, and their personal residence represent the major portion of Sam and Sarah's assets—and also their future financial security. There is also a modest amount of insurance on Sam's life. Sam and Sarah are finally ready to address estate planning, but they just don't know where to begin.

What can they do?



PHOTO: SHAWN BATHOLOMEW

### Take An Integrated Approach

*James S. Rigby Jr., president of The Financial Valuation Group, based in Los Angeles and Tampa and specializing in business valuations:*

Sam and Sarah should integrate their business planning and estate planning. Often the most successful method of transferring ownership to the next generation, while minimizing the tax burden, is

through corporate restructuring. This strategy allows the owners to accomplish two goals.

First, it lets them transfer a portion of the business at discounted values. U.S. Tax Court decisions have supported discounts on the valuation of businesses for marketability and minority interests, normally from 15 percent to 40 percent.

Second, the future value of appreciation on the transferred portion will be in the hands of the new owners. As a result, future increases in value will not increase the value of the older generation's estate or its tax burden.

For example, Sam and Sarah could spin off the start-up product line into a new corporation, taking care not to create a taxable transaction. This new corporation, with a current minimal value, can continue to increase in value but not in Sam and Sarah's estate. Stock could be gifted or sold to all the sons, resulting in minority interests for them at discounted values.

The integration of business planning and estate planning can work to increase the value of the Jones family's estate while decreasing the portion that will be subject to taxation at the death of Sam and Sarah.

Such techniques should be used in conjunction with traditional estate-planning methods.

However, only a comprehensive plan can effectively reduce the potential tax burden.

The potential savings for even modest estates are in the hundreds of thousands of dollars. Sam and Sarah have no time to wait—it may take them three to five years to accomplish all their goals.



PHOTO: SARITA FERRIO-BLACK STAR

### Do Succession Planning, Too

*Patricia P. Sullivan, principal of The Newport Group, an Ann Arbor, Mich., consulting firm specializing in family business:*

Sam and Sarah need more than an estate plan—they need a comprehensive written succession plan as well. This is important, considering the changes now under way in the business. The estate plan must address the needs of Frank as well as the two sons in the business,

in addition to Sam and Sarah's current and future income needs. However, there are three additional areas that must be addressed.

The first is to involve family members active in the business in assuring that there is a consensus regarding the business strategy and future direction. The meat-packing business will soon become three distinct businesses: meat packing, prepackaged meats, and property management. A clear plan on how each will be managed and how each relates to the others must be developed and integrated into the overall business plan.

The second area to be addressed is development of an organization and management transition plan. Effective management during this period requires that all have a clear vision of what the businesses will look like in the future, be in agreement on the current strengths and weaknesses of each, and arrive at a consensus as to what steps need to be accomplished during the usual transitional phase of two to three years.

Regular family-business retreats to candidly discuss progress will be essential.

The third step involves ongoing attention to the development of management competency. The different skills, experience, and knowledge needed to manage each of the family's growing businesses may require further development and coaching for Tom and Bill. Since they and their parents will continue to work together in the business, they must all clarify roles and responsibilities to ensure complete understanding, commitment, and teamwork.

**This is one of a series of case studies of family-business dilemmas, commented on by members of the Family Firm Institute and edited by Mike Cohn, president of The Cohn Financial Group, Inc., in Phoenix. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Brookline, Mass.**



# KOREA



PHOTOS SUPPLIED BY THE KOREAN MINISTRY OF TRADE AND INDUSTRY

## A New Era In Korea-U.S. Economic Cooperation

Korea's production skills could be combined with U.S. design capabilities.

**D**uring President Bush's visit to Korea from Jan. 7 to 9, the heads of state of the United States and Korea discussed various issues of security, international politics, and economics.

After the summit talks, Bush expressed his satisfaction over the state of relations between the two countries, stating that bilateral trade is in "very good and strong shape."

Furthermore, the two presidents agreed to work toward greater economic cooperation by extending the traditionally strong ties between the two countries in matters of security and international politics to the economic sphere.

Under the Presidential Economic Initiatives (PEI), both governments agreed to improve the environment for trade through consultation in four working groups:

- A Group—Customs and Other Import-Clearance Procedures

- B Group—Standards-Making and Regulatory Procedures

- C Group—Investment

- D Group—Technology

The successful resolution of major bilateral issues by the Section 301 or Super 301 negotiations under the U.S. Omnibus Trade and Competitiveness Act of 1987 has laid the foundations for a constructive economic partnership. Nevertheless, a number of minor trade issues still exist between Korea and the U.S.

With the expansion of trade volume and the diversification of trade relations, the number of trade issues has naturally increased. To overcome these minor issues and solidify a sound economic relationship, cooperation is essential.

The volume of trade between Korea and the U.S. has expanded 250-fold, from a mere \$150 million in 1960 to about \$37.4 billion in 1991. Korea's trade balance with the U.S. recorded a deficit in 1991 after a period of trade surpluses during the 1980s. (See the chart on Page 68.)

The U.S. has consistently been Korea's

largest trading partner since the mid-1960s, buying 26 percent of Korea's total exports and supplying 23 percent of the nation's imports. Korea has ranked as the seventh-largest trade partner of the U.S., comprising 3.5 percent of U.S. export and import shares.

In analyzing the dynamics of the Korea-U.S. trade relationship, the total volume of trade has gradually increased, but the relative importance of each country in the other's market share has decreased.

The U.S. loss of share in Korea's market can be attributed to the emergence of rival competitors such as Japan and the European Community (EC) in high-technology fields and the surge of China in agricultural products. In the U.S., Korea's loss of market share is a result of the weakening of its industrial competitiveness compared with other developing countries.

Korea and the U.S. still maintain a complementary economic relationship. Korea supplies U.S. consumers with textiles, electronics, and footwear at reasonable prices, while the U.S. furnishes Korea







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# KOREA

with agricultural products, machinery, and chemical products for high-tech ventures.

The flood of Japanese electronics and automobile exports into the U.S. market, however, has aroused U.S. protectionism in these sectors, which are losing competitiveness. The recent entrance of Korean exports into these same industries has also aggravated the protectionist sentiment in the U.S.

However, Korea's economic growth and technological potential in these areas also provide the possibility for expanding mutual cooperation through complementary means.

If Korea's production skills and well-trained workers were combined with U.S. technology and design capabilities, the strains of the necessary restructuring in both countries could be alleviated.

"Combining U.S. high-tech capabilities and Korea's manufacturing skills will help both economies pursue new export markets in Third World countries as well as Japan," says Chang-Wooh Noh, director general of Korea's Ministry of Trade and Industry.

Korea's direct investment in the U.S. stands at only \$1.2 billion in absolute terms, but it comprises 35 percent of Korea's total investment. Starting with small-scale investment in trading businesses in the 1970s, Korean investment in the U.S. has increased sharply.

U.S. direct investment in Korea amounts to \$2.1 billion and accounts for 27 percent of total foreign investment in Korea. This makes the U.S. the second-largest foreign investor in Korea after Japan.

Korea has government regulations on foreign investment to facilitate investment quantity and quality. Korea articulated its intention to promote foreign direct investment in the Super 301 agreement with the U.S., by guaranteeing relaxed governmental regulations and through streamlined investment procedures.

The U.S. is the second-largest supplier of technology items to Korea, after Japan.

Royalty payments to the U.S. recorded 46.8 percent of total Korean payments for technology, making the U.S. the largest technology supplier in monetary terms, with the average American royalty per case amounting to \$1.4 million, compared with Japan's average of \$0.37 million, for an annual total of more than \$400 million.

This situation can be explained by the fact that U.S. technologies are relatively advanced, large-scale, and in new fields. The current weakening of industrial competitiveness in both countries highlights the need for science and technology coopera-

tion and expansion of technology inducements.

## Reorientation Of Economic Relations

Although the U.S. understands that Korea differs from other industrialized countries in its phase of economic development, the U.S. continues to treat Korea in the same manner as a fully developed country in trade and investment. This treatment originates from dissatisfaction over the current international economic situation in which the U.S. has allowed other countries

relatively free access to its markets but has not received reciprocal access to foreign markets.

Thus, the U.S. administration and Congress have made numerous requests for Korea to liberalize its markets to the level of developed countries. Although Korea fully intends to liberalize its markets, particular aspects of the nation's economic development should be considered in determining the pace of liberalization.

Korea began its development as a low-income country in the early 1960s. With rapid economic growth in the mid-1980s, Korea initiated liberalization policies as it approached the status of a Newly Industrialized Economy (NIE). Since then, Korea has continued to pursue actively economic liberalization and deregulation plans that are similar to those of the advanced countries.

Korea's contributions to world trade through its commitment to free trade have also been significant. Korea firmly believes that liberalization and deregulation are prerequisites for the further development of the Korean economy.

In this regard, Korea's main objective in enhancing its economy through liberalization is firm and unyielding, regardless of the changes in the world economic environment.

However, the relatively short period in which this progress in liberalization has been made should be duly appreciated. Korea differs from other advanced countries that developed their institutional organizations and legal systems much earlier. Korea's relatively recent initiation of internationalization and deregulation should be considered by other nations.

Korea's severe current-account deficit and reversion to bilateral trade deficit with the U.S. should be taken into account when appraising its level of liberalization. Korea's current-account deficit is estimated to be \$8.8 billion, or 3.2 percent of its GNP. To illustrate the magnitude of that deficit, the U.S. current-account deficit of \$24 billion

## Korea's Trade With The U.S.

KOREAN FIGURES

U.S. FIGURES

Year	Exports To U.S.		Imports From U.S.		Trade Balance	
1987	18.3	18.0	8.8	8.1	9.5	-9.9
1988	21.4	21.2	12.8	11.3	8.7	-9.9
1989	20.6	19.7	15.9	13.5	4.7	-6.3
1990	19.3	18.5	16.9	14.4	2.4	-4.1
1991	18.6	17.0	18.9	15.5	-0.3	-1.5
1992*	7.0	6.5	7.9	6.4	-0.9	-0.1

\* FIRST FIVE MONTHS

CHART: AMAL EL-SAGHEE



One of Korea's advantages in furthering its development is its well-trained workers.



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# KOREA



Cooperation in high-tech areas could broaden U.S. and Korean markets.

in 1991 represented a mere 0.4 percent of its GNP. A U.S. current-account deficit of 3.2 percent of its GNP would reach \$200 billion, an astonishing and unbearable level.

Korea's current-account deficit does not seem to be a temporary phenomenon varying with changes in external conditions, but rather a structural problem based on the weak price and quality competitiveness of Korean export goods as well as the brisk import demand that is overheating the domestic economy.

However, U.S. observers perceive this phenomenon as temporary, arising from Korea's sluggish export activity caused by the sustained slump in the U.S. economy and Korea's active import demand for capital goods. Such increases in capital goods, they believe, will contribute to the promotion of exports and ultimately help relieve the current-account deficit.

In response to this perception, Korea assesses the recent import surge as being composed mainly of capital goods for automation to substitute for manpower and other input factors whose costs have sharply increased in recent years. In this regard, the current pattern of investment in Korea differs considerably from the previous system of capacity expansion.

Considering Korea's aggravated current-account deficit, reversion to bilateral trade deficit with the United States, and continuation of that deficit in the foreseeable future, Korea should be accorded different treatment from countries running trade surpluses with the United States.

In reflecting the interests of constitu-

cies, interest groups, and election issues, the U.S. government generally attempts to resolve trade problems in a short time frame of one to two years.

Meanwhile, Korean policies to solve these issues require sufficient time to allow for the reform of institutions, legal systems, and practices. The Korean government will require more time to consider the diverse range of ideas on trade issues and to reflect them in trade policies.

In this sense, the recent trade issues between Korea and the U.S. have not arisen from fundamental differences in the basic directions for liberalization and deregulation, but rather over the time frame of their implementation.

The two governments basically agree on the overall direction and framework of Korean liberalization. For various trade issues such as the exit-ban case of foreigners, the capital-market liberalization plan, and the incremental liberalization of agricultural products, Korea has carried out its firm commitment to liberalization according to a carefully constructed schedule.

In the future, Korea should be given the latitude to continue liberalization at a pace that considers its particular economic conditions.

Like most countries in the initial stages of industrial development, Korea raised high barriers to imports so as to develop and protect fledgling industry. But by the 1980s, it became clear that the country needed to make fundamental changes in its approach to economic development.

Accordingly, in the early 1980s, Korea implemented a program of swift and substantial reductions in import barriers and liberalization of the services market.

Meanwhile, the U.S. presumes that its

structural imbalances of an expanding trade deficit and sluggish economy can be significantly improved if countries like Korea offer fair market access to the U.S. Based on this belief, the U.S. has requested that Korea open its markets to the level of developed countries. Contrary to this widespread perception, many U.S. observers admit that the structural imbalances stem from domestic problems in U.S. enterprises, the attitudes of managers, and government policy responses. For these reasons, it would be very difficult to resolve U.S. economic problems solely through trade policy.

Korea and the U.S. have contributed to mutual economic development by promoting trade, investment, and technology transfer.

Despite such a cooperative relationship, their positions on bilateral trade issues still remain at odds, especially concerning the time frame for implementing liberalization, access to Korean markets, and Korea's current-account deficit.

However, the collapse of the Soviet Union and the new momentum of the Asia-Pacific region have fashioned a new world economic order where a close relationship between Korea and the U.S. is even more important.

Considering such changes, enhancing and diversifying mutual cooperation in areas of trade, investment, and technology transfer is far preferable to debating over trivial trade issues that naturally arise as the trade relationship between the two countries expands. This notion of broadening Korea-U.S. cooperation was reaffirmed during the summit of January 1992 and will contribute much to solving the common problem of weakening industrial competitiveness.



# Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

## MARKETING

### Tips On Targeting

I own a small service business. Are there any publications that could get me started



ILLUSTRATION: MARTHA WAUGH

on marketing my company most effectively?

A.R., Woodbridge, N.J.

According to marketing experts, you should begin by noting your company's position in your market. What do your customers think of your service, and have they had problems with it?

First impressions are important, experts say, and so is determining the image you want your business to project. **GUERRILLA MARKETING WEAPONS: 100 Affordable Marketing Methods for Maximizing Profits From Your Small Business** (Plume), a \$9.95 paperback by Jay Conrad Levinson, offers many useful, cost-effective tips for maximizing your marketing efforts.

For help in writing your marketing plans, try *Marketing Without Mystery* (AMACOM), by Laura M. Dirks and Sally H. Daniel. This large paperback manual, priced at \$22.95, starts with an overview of marketing and how it fits into business planning. Steps for developing a marketing strategy are covered in detail, and work sheets and practical examples of implementing marketing efforts are included.

If your service is targeting those who are over 50, Jeff Ostroff's book, *Successful Marketing to the 50+ Consumer* (Prentice Hall), may be helpful. It examines the over-50 market and how to position a business to serve these consumers. The paperback book is available at bookstores for \$19.95.

## FOOD RETAILING

### Bagel Basics

I am interested in opening a bagel bakery. Can you give me some general information? N.L., Brooklyn, N.Y.

Bill North-Rudin, membership director at the Retail Bakers of America, says anyone interested in opening any type of bakery should first have a clear business plan. To help, the organization offers a bakery start-up kit for \$2, which includes cost estimates and information on equipment such as ovens, mixers, display cases, rolling tray carts, packaging materials, pans, steamers, washers, and refrigerators. (See also "Planning Your Business," in the July Direct Line column.)

North-Rudin suggests you "do your research, then join your local trade organization." The Retail Bakers of America offers members a list of local and state bakery organizations in the country. In addition, the start-up kit lists groups that specialize in aspects of baking, such as ovens, refrigerators, and ingredients.

To request a kit or membership information, contact Loyda Gamero at the Retail

Bakers of America, 14239 Park Center Drive, Laurel, Md. 20707; (301) 725-2149.

You also may want to check *Bakery Production and Marketing* magazine, a monthly that covers the baking industry. A subscription costs \$89 a year, but the



magazine is free to members of the Retail Bakers of America. For information, write or call *Bakery Production and Marketing*, 455 North Cityfront Plaza Drive, Chicago, Ill. 60611; (312) 222-2000.

## OFFICE EQUIPMENT

### Secondhand Bytes

My company is growing and needs a computer system. I don't want to buy retail; I would like to buy wholesale or used computers from companies that no longer need their systems. Could you please provide me with some possible sources?

P.M., Hackensack, N.J.

Discounts on computer equipment are quite steep even at the retail level, so it pays to shop around. (See "Lower Prices, More Computer Power," on Page 28.)

Often, computer retailers and mail-order office-equipment suppliers will offer prices that are highly competitive with the so-called discount stores.

You also might compare prices at warehouse membership stores in your area. These warehouse clubs, which typically sell food, housewares, sporting goods, appliances, and other products at discount, offer good choices of machines at nearly wholesale prices (the warehouse price typically includes a small markup on the wholesale price).

Experts caution that purchasing a used computer is risky because you often can't assess its condition.

One place to look for a used computer is the Boston Computer Exchange, a retail business that matches buyers and sellers of used equipment.

A wide variety of equipment is available through this organization, which maintains a database of thousands of computers and peripheral computer products from around the world.

For more information on the kinds of computers available, call the Boston Computer Exchange at (617) 542-4414.

## BORROWING

### Growth In Lending

We are a small auto- and truck-repair shop. We are looking for information on grants, funds, and Small Business Administration loans for equipment and building repairs.

N.S., Curtice, Ohio

According to Mike Stamler, a public-affairs officer at the U.S. Small Business Administration in Washington, D.C., the best sources of financing for business development and repairs are local banks



and certified development companies (CDCs).

CDCs are locally based, and they specialize in business-development loans. Typically, the CDC provides 50 percent of the loan and then works with a local bank to obtain financing for 40 percent. The



borrower must come up with the remaining 10 percent.

"Anyone interested in this type of loan should contact [a] local SBA office," says Stamler. "They have more information about local CDCs."

If those options fail, you should look into an SBA-guaranteed loan, Stamler suggests. For more information on SBA

and CDC loans, contact your local SBA office.

In Ohio, the SBA offices nearest you are in Cleveland, (216) 522-4180; Columbus, (614) 469-6860; and Cincinnati, (513) 684-2814.

### Government Grants

How can I get government information on locating private and public grants?

D.H., Union, N.J.

(Similar questions from T.J., Fayetteville, Tenn.; R.K., Austin, Texas; and L.B., Victorville, Calif.)

The *Catalog of Federal Domestic Assistance*, published annually by the federal government, lists 1,226 assistance programs administered by 50 federal agencies throughout the country.

The programs are widespread—ranging from how to establish a vocational-rehabilitation program to implementing a rural health-assistance program.

Your local library should have a copy of the directory, or you may order one from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; (202) 783-3238.

The cost is \$46, and the order number is 922201400000-1.

For a how-to book on writing grant proposals, try *Getting a Grant in the 1990s* (Simon & Schuster), by Robert Lefferts. The 231-page paperback covers the basics of a proposal—what it is, how to write one, types of proposals, and criteria for evaluating proposals.

There are also appendices that list state and local foundations and centers for free information on funding. The book is priced at \$13 and is likely available at your local bookstore.

In addition, the Grantsmanship Center, in Los Angeles, offers periodicals and seminars on how to get grants.

For information, write to the center, 1125 W. Sixth St., 5th Floor, P.O. Box 17220, Los Angeles, Calif. 90017.

For a free catalog on seminars and a list of publications, call (213) 482-9860. Direct your inquiries on seminars to 1-800-421-9512.

### HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Only written requests can be accepted. Writers will be identified only by initials and city. Questions may be edited for space.

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## From the editors of Direct Line

# The Small Business Resource Guide

**What You Need To Know About Starting And Running Your Business**

Nation's Business brings you answers to the most frequently asked questions from Direct Line, the popular advice column for small-business owners. The guide contains useful advice about: ♦ setting up a business ♦ marketing ♦ retailing ♦ exporting ♦ franchising ♦ trademarks and copyrights ♦ patents ♦ financial planning ♦ managing people ♦ and much, much more.

Nation's Business' **The Small Business Resource Guide** is a must for owners of new and existing businesses in the 1990s. Available for only \$5.95 + \$1.00 for shipping and handling. Orders must be prepaid. Write to: Nation's Business, Circulation Department, 1615 H Street, N.W., Washington, D.C. 20062.

NB0992

From the editors  
of Direct Line

### The Small Business Resource Guide

*What You Need To  
Know About Starting  
And Running Your  
Business*



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# To Your Health

*Managing well includes managing your own health; here is advice to help you do that better.*

By Christine K. Nowroozi

## What You Lose When You Miss Sleep

Of all our daily activities, sleep is often the easiest to sacrifice. Time spent sleeping, after all, can seem like time wasted. Actually, it's time invested—in sharp mental skills and alertness. And according to physicians and sleep researchers, it's an overlooked part of our health and well-being.

More than three-fourths of Americans wake up regularly to alarms, and almost as many sleep more than an hour or two longer on weekends than on weekdays. Both are signs of chronic sleep deprivation, experts say.

For years, these sleep researchers have told us that sleep deprivation—even in amounts we may consider insignificant—affects our ability to concentrate, work efficiently, and make sharp decisions.

Still, as Dr. William Dement, director of a sleep disorders clinic at Stanford University, in California, said in 1990 at a conference of family physicians, people “do not fully understand that daytime alertness is inevitably and solely linked to sleep at night.” What we do understand, we often ignore.

“People who say they only need limited hours of sleep are just learning how to compensate by clenching their teeth,” says sleep researcher Dr. Gary Richardson of Brigham and Women's Hospital in Boston.

Researchers don't know exactly how sleep loss affects people's health in the long run.

“We can't find a thing physiologically wrong with people who are sleep-deprived—even after three [or] four days of deprivation,” says Dr. Wilse Webb, a psychologist at the University of Florida in Gainesville and author of a book called *Sleep: The Gentle Tyrant* (Anker).

But while the body as a whole is surprisingly unaffected, the brain shows significant effects. The ability to perform tasks that are well-learned or relatively quick in duration is generally preserved, Webb says, but the ability to perform tasks that “require you to intensively concentrate” gradually erodes.

*Christine K. Nowroozi is a free-lance writer in the Washington, D.C., area.*



PHOTO: GJON PERBERISH-UNPHOTO

*“Sleeping like a baby” is just as important for adults as for children.*

One of the biggest myths about sleep, experts say, is that everyone needs a similar amount. To the contrary, individuals' sleep needs can vary from 4½ to 10 hours a night. Very few people require fewer than 6½ hours, though; around 65 percent of the population needs 6½ to 8½ hours, and almost everyone else needs more.

An hour or two less sleep than needed each night may not seem detrimental, but over the course of weeks and months such an accumulating debt can wreak havoc on adults, says Dr. Daniel R. Wagner of the Sleep-Wake Disorders Center at New York Hospital.

To some extent, sleep resembles a checkbook that must be kept in balance. Trouble starts after age 30, as it becomes increasingly difficult to make up large sleep deficits. The body also has more difficulty adjusting to varied sleep times.

“The problem with trying to make up sleep on weekends,” says Wagner, “is that, once past your teenage years, you lose the ability to extend sleep for many hours. You end up carrying your debt into the next week.”

Changing our attitudes toward sleep, and appreciating the significance of sleepiness, are the first steps toward improving health and alertness. Here are some others:

■ To determine your sleep requirements, experts suggest, you should keep

track of the hours you sleep each night during a relaxed, week-long vacation. Then take the average.

■ Also, take note of your sleeping patterns on weekends. If you're sleeping more than an hour or two extra, you definitely need more sleep at night. The same holds true if you regularly depend on your alarm clock.

■ Varying your bedtime by an hour or so won't hurt, but keep your wake-up time steady.

■ Don't rely on your own perceptions of your alertness, memory, concentration, and temperament; deterioration can be subtle. Listen to your colleagues or family.

■ Take naps, but follow some rules. Never nap after 4 p.m., and don't nap for over an hour. Longer naps tend to be “replacement naps,” which take you into the sleep state, rather than the “recreational naps” that are good for quickly boosting your alertness.

■ When you travel across time zones, try not to reset your internal clock by more than two hours on any given day.

■ If you are sleeping more than eight to 10 hours a night but you still experience daytime sleepiness (apart from the normal afternoon drowsiness), or if you consistently have trouble falling asleep, see your doctor. Most sleep disorders can be treated.



# For Your Tax File

*How to keep taxes from trapping you.*

By Albert B. Ellentuck

## ESTATE PLANNING

### This May Be The Time To Give Away Real Estate

The depressed prices of real estate in many areas of the country—though causing difficulties for some property owners—can present significant opportunities for gift giving and estate planning.

Suppose, for example, you own land worth \$100,000. Perhaps its value is severely depressed, but you expect its value to increase substantially over the next five to 10 years. You also have been advised to reduce the value of your estate to trim potential estate taxes. So you decide to give the land to your son.

An individual can give \$10,000 each year to each donee without paying any gift taxes; when a spouse joins in, the limit rises to \$20,000 a year. In addition, each person has a one-time lifetime exemption of \$600,000; for a married couple, the exemption is \$1,200,000.

In giving \$100,000 worth of land to your son, you and your spouse could claim \$20,000 of it as your gift for the year and \$80,000 of it as part of your \$1,200,000 lifetime exemption, reducing your combined remaining exemption to \$1,120,000. By doing this, you would not be subject to a gift tax.

If in seven years, say, the value of the property has doubled, you will have eliminated in effect \$200,000 from your estate at no gift-tax cost and will have used up only \$80,000 of your lifetime exemptions.

Another way to give the property would be to use "installment gifts." You and your spouse together can give an undivided interest of \$20,000 to your son each year using only the annual exclusion without affecting your lifetime exemption. But this approach would not take full advantage of the depressed real-estate values. In fact, if the land does indeed double in value over seven years, the installment method would take at least eight or nine years.



Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.



PHOTO: EDAN KOST—LIMPHOTO

*Real estate sometimes can be worth more to you if you give it away.*

Thus, if the real estate is expected to appreciate substantially, it might be better to give the entire piece of land immediately.

Installment gifting is more useful when

the property is not expected to appreciate.

If you do not intend to hold the property for long, a short-term strategy may be in order. If the property has depreciated so that the current value is considerably less than the price at which you bought it (its tax cost), and if there are capital gains against which to offset the loss in value, it may pay to sell the property, thus creating a deductible loss, and give the proceeds to your child.

In this case, the proceeds could be transferred in \$20,000 installments over five years without using any of your lifetime exemption, and the loss would produce an immediate income-tax benefit for you.

On the other hand, if the property has appreciated since its purchase and the owner is aging, the owner could hold on to the land rather than sell it, thereby avoiding capital-gains tax, and the land would eventually be included in the owner's estate. As a result, the tax-cost basis would be increased to its fair-market value at the date of death, and the beneficiary who receives the property would then have it at an increased tax basis.

## FAMILY RESOURCES

### Putting Your Children On Your Payroll

Have you considered putting your children to work in your business? Certainly, tasks at home—taking out the trash, keeping their rooms clean, and raking leaves in the fall—are all important. But if you can put your children to work part time in your business, there will also be a nice financial payoff.

For example, you put your daughter on the payroll for 10 hours during the week and six more hours on the weekend, serving as a messenger, assisting with incoming phone calls, and doing some landscaping. If you pay her \$7 an hour, she will earn \$112 a week, or \$5,600 a year, assuming a two-week unpaid vacation. The advantage is that the salary will be deductible by your business—in effect eliminating \$5,600 of income from taxation—and under most circumstances she won't be subject to income tax on her earnings. A child can have income of up to \$5,900 without paying income tax. In addition, you don't lose the exemption for

that child if you continue to supply over half of her support. Any income over \$5,900 and up to \$21,450 would be taxable to your child at 15 percent. Under any circumstances, both employer and employee are liable for Social Security and state unemployment taxes on the income.

If your child's income exceeds \$5,900, consider setting up an individual retirement account (IRA). He or she would be able to contribute to the IRA and deduct the lesser of \$2,000 or the amount of compensation (in this case, \$2,000). By using an IRA, your child could have up to \$7,900 of income (\$5,900 exempt and \$2,000 in an IRA) without any tax.

Keep in mind that the child must have real work to do—she must perform sufficient duties to earn that salary. Otherwise, the IRS will treat the salary as income to you and a gift by you to the child.

It's advisable, however, that you check with your attorney concerning federal child-labor laws. Generally there is an exemption for children employed in a business owned by the parents if the children's work is not hazardous.



# It's Your Money

*A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.*

By Peter Weaver

## INVESTING

### Inflation Hedging: Move Now—Or Wait?

"As a consequence of the Federal Reserve's aggressive easing of interest rates, an inflationary squall is about to blow," says Stephen Leeb, editor of *Personal Finance*, a newsletter published in Alexandria, Va. He maintains that "gold investments are one of the best ways to play the [potential] robust growth and subsequent inflation." He recommends buying mutual funds that have gold-mining stocks in their portfolios.

Many economists, portfolio managers, and other financial gurus say we will face inflation again sometime. But when?

Leeb says it will be soon, but others beg to differ. "Why rush to buy gold now?" says financial planner Ralph Presutti, with the Advest investment firm in Hartford, Conn. "I don't see signs of inflation coming anytime soon." He says these are the telltale signs of incipient inflation:

- Certain key industries—automobiles, real estate, travel (airlines, hotels), office supplies, appliances—start raising prices. "They've been cutting prices," Presutti says, "but they can't keep this up much longer."

- Commodity prices start rising after manufacturers begin cranking up production to meet the demand that often follows a turnaround in prices.

When the signs of inflation do appear, putting a portion of your investments into gold-mining mutual funds may not be a bad idea. For a list of these funds and many others, send \$5 to Investment Company Institute, 1600 M Street, N.W., Sixth Floor, Washington, D.C. 20036.

### The Surge Of "Platform" Annuities

It used to be that when you bought an annuity from an insurance agent or a stockbroker, he or she explained the details and suggested a course of action. But now an increasing number of these retirement-



PHOTO: SCARLETT POLLACK—THE STOCK MARKET

*Gold may be a safe haven in an inflationary storm.*

planning investments are being sold over the counter by tellers at banks and savings institutions, in what the financial industry calls "platform" sales.

Last year, platform sales totaled \$10 billion. Within two to three years, according to some industry estimates, sales will reach \$40 billion.

Basically, an annuity is life insurance in reverse. It protects you against living too long—that is, outliving your assets—by promising to pay you a guaranteed amount for the rest of your life. An insurance policy, by contrast, protects you against living too short a time, by providing money for your dependent heirs if you die prematurely.

Why the rush on annuities sold by banks? "Because the income generated by an annuity is tax-deferred, so banks can offer customers an investment with a higher interest rate than they can get from certificates of deposit," says Robert M. Sanders, vice president of the Holden Group, an insurance-product marketing company in Los Angeles.

This summer, the after-tax rate for annuities (which, unlike CDs, are not federally insured) was ranging between 5 and 6 percent, while CD rates were running at 3 percent or less.

"Another reason people are buying annuities," Sanders says, "is because you can select any one of a number of payout options, which you can't do with a CD."

After a specified retirement age, you can get a monthly check for the rest of

your life, or for a certain number of years, or you can get a lump sum. You can cover a spouse (and receive lower monthly payments) or cover yourself only.

The banks and savings institutions are selling a fixed-income annuity product similar to a CD. But the insurance industry also offers a variable annuity that is similar to a mutual fund with stocks and bonds in its portfolio.

"For some people, a variable annuity may be a much better buy," says Alexandra Armstrong, who has her own financial-planning firm in Washington, D.C. The trouble is, she says, you won't hear about it from a bank teller, because that's not what the bank is selling.

Tellers also might sell you an annuity to put into an IRA, Keogh, or some other retirement plan. "This is a mistake," Armstrong says, "because you don't put a tax-deferred investment into a tax-deferred pension plan—it's redundant."

First, invest your money up to the tax-deductible limit of your retirement plan. Then, if you want to put even more money away for retirement, invest in annuities.

You should adopt this strategy because retirement plans approved by the Internal Revenue Service typically provide a double tax benefit. Your taxable income from wages is usually reduced by the amount you put in the plan (an exception: IRAs, for people whose income exceeds the statutory limits), and the interest earned over the years is tax-deferred. Although annuity income is tax-deferred, money you put into an annuity does not reduce your taxable income.

Sanders admits that some tellers at banks or savings institutions might not give you all the advice you might need for deciding whether to buy an annuity for an IRA, or whether you should buy a variable annuity instead of the fixed-income product the bank is selling. But he says that "the situation is improving because states are tightening up on training and licensing requirements for tellers who sell annuities."

So, before you buy, find out more about how annuities work, and look into all the options. Also, find out what penalties you might encounter by withdrawing your money prematurely. Ask your bank, savings institution, insurance company, broker, and others for booklets on annuities.



Peter Weaver is a Washington-based columnist on personal finance.



## EDUCATION

## Why Your College Freshman Should Balance The Books

It's back-to-college time, and parents are exhorting their freshmen offspring to "hit the books." They should also be encouraging the students to learn how to balance the books.

Diane Austin, dean of students at Bentley College, in Waltham, Mass., tells new students: "One of your first priorities, after you register and get set up in your room, is to work out a money-management plan."

To augment their spending money, Austin suggests, students should get a part-time job on campus. Such a job can do more than bring in extra cash, she says: "Students involved in part-time jobs tend to get better grades." Why? Because they must quickly learn how to get organized and budget their time.

But there's a limit, Austin adds: "We have found that working up to 15 hours a week gives positive results, but longer than that can interfere with study time."

You may decide to set up a checking account for your student, or you may prefer to provide cash in the form of monthly traveler's checks or deposits in a local bank to be used for limited automatic-teller machine (ATM) withdrawals.

If the student is capable of balancing a checkbook regularly, a checking account can be convenient and serve as a money-management learning tool, Austin says.

What about credit cards? "As a rule, the more a freshman student has access to credit-card accounts, the harder it is to get good grades," says Ray Edwards, an admissions consultant and former East Carolina University financial-aid director. The more a student is out spending on entertainment, clothing, and the like, the less time he or she can spend with the books.

What about cars? "If you don't have access to a car your first year," says Edwards, "you'll have a better chance to get good grades." (And if a student doesn't have a car at school, the cost of the family's automobile insurance policy could come down.)

## INSURANCE

## If The Fire Was "Friendly," You May Not Be Covered

You have insurance on your home against fire, wind storms, water damage, and other specified risks. So, if there's a fire, you're reimbursed—right?

Not always.

What if a small child tosses a fur jacket or some pages from a stamp collection into the fireplace? You may not be covered, because insurance adjusters may consider the fire "friendly."

The general rule appears to be that if a fire is in the place intended—a fireplace, for example—it's a "friendly" fire. Insur-

ance coverage may not apply unless the fire was "unfriendly."

What about insuring the student's belongings? These days, some students are surrounded by a lot of expensive gear, such as CD players, videocassette recorders, and computers.

If the student is living in a dorm,



PHOTO: GARY ERLICH—FOLIO, INC.

**A part-time job may actually boost a college student's grades.**

chances are his or her family's homeowner's policy covers theft and damage. But it may be necessary to cover some items, such as expensive computers, with a special risk rider.

And if the student is living off campus, the family policy may not extend to his or her apartment. Check with your insurance company.

## Phone Number For Smart Loans

An incorrect phone number appeared in *It's Your Money* last month in the item on the loan-consolidation program offered by the Student Loan Marketing Association, or Sallie Mae. The correct number for the program, called the Smart Loan Account, is 1-800-524-9100.

ance coverage may not apply unless the fire was "unfriendly."

"The way around this problem," says Vic Sanders, senior vice president of Rust Insurance Co., in Washington, D.C., "is to get all-risk coverage for valuable items."

That coverage would include such things as jewelry, valuable collections, paintings, and antiques.

How much extra do you have to pay?

"That depends," Sanders says, "on whether the item is often removed from the premises [as jewelry might be] and is therefore a higher risk, or if it's a fixture in the house [such as paintings and antiques] and is a lower risk."

## MORTGAGES

## Check Your ARM Each Time It Moves

Homeowners can lose hundreds of dollars a year because their mortgage rate isn't being calculated correctly, according to Paul S. Haveman, spokesman for HSH Associates, a mortgage-information publisher in Butler, N.J.

How can this happen? "It's estimated that 20 to 30 percent of current ARM [adjustable-rate mortgage] annual adjustments are incorrect," Haveman says. "Virtually all adjustment errors can be traced to the lender's use of the wrong index, the wrong anniversary date, and just plain mistakes in arithmetic."

Most ARM rates are based on U.S. Treasury securities' annual or monthly interest rates plus a spread of 2-plus percentage points. If the lender uses the wrong index rate or applies it on the wrong date, you could be out some money.

Haveman's company publishes an "ARM Check Kit" that shows you how to figure the ARM rate adjustment the same way the lender does. If you spot a discrepancy, you can call the lender and have the adjustment double-checked.

If there's an error, you must get a refund or a credit on your next payment. It's the law.

To get the ARM Check Kit, send \$3 to HSH Associates, 1200 Route 23, Butler, N.J. 07405.

## TRAVEL

## Protect Your Carry-Ons From Going Astray

Airline passengers who hang garment bags in a plane's forward closet and sit toward the rear of the plane may find it difficult to keep an eye on the bag.

"Lots of these bags are picked up by mistake when passengers hurry to get out the door and on their way," says Barbara A. Pletcher, former executive director of the National Association For Professional Saleswomen and now head of her own real-estate firm.

In such instances, the airline is not responsible for your loss. You're responsible for all luggage that is not checked with the airline. To keep an eye on your bag, Pletcher says, "take the bag to your seat and store it in the overhead compartment."

"If you must store the bag in the front closet to keep garments more neatly pressed," Pletcher advises, "then tie a colored ribbon on the handle or put some special tape on the bag to make it distinctive."

What happens if your bag has been taken by mistake? Pletcher says that you should "immediately ask one of the cabin attendants to make a public announcement in the terminal describing the bag" and asking the passenger who took your bag to return it to the airline's desk.



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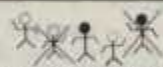
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Results of this poll will be provided to leaders of Congress and the Bush administration as they consider possible actions to improve the economic climate.

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*An economic recovery is under way, but its strength and duration have yet to be determined.*



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# 1.

How do you believe current credit conditions compare with those one year ago?

1. Better
2. Worse
3. About the same

# 4.

Do you expect to seek a personal or business loan over the next six months?

1. Personal
2. Business
3. Both
4. Neither

# 2.

Have you tried to obtain credit from a lending institution over the past six months?

1. Have not attempted to get credit
2. Have successfully obtained credit
3. Tried and failed to get credit

# 5.

If you do not expect to pursue a loan, why?

1. Discouraged about my ability to get a loan
2. Want to wait until I can pay cash
3. Don't foresee the need for capital
4. Other
5. Not applicable

# 3.

What do you see as the biggest obstacle to business expansion?

1. General uncertainty about the economy
2. Inability to obtain capital
3. Low consumer demand
4. Expected rate of return on investment
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# Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them.

Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

## Key Vote Expected On Product Liability

After years of stalemate and inaction by Congress, in early September the business community will have its best chance in a decade to remove a major legislative obstacle in the path toward establishment of a nationally uniform product-liability law.



ILLUSTRATION: RICHARD GAGE

Currently, a nationwide patchwork of conflicting and confusing product-liability laws, dictated largely through court decisions in various states, has hindered interstate commerce and created enormous additional costs for businesses. Companies have been forced to operate with an uncertainty that has stifled innovation and resulted in substantially fewer products being brought to market.

The growth in punitive damage awards has led to rising legal expenses.

In addition, U.S. international competitiveness has suffered because uniform product-liability laws overseas keep costs down for foreign companies. America's product-liability insurance costs are 20 times higher than those in Europe and 15 times higher than those in Japan.

The Senate has tentatively scheduled debate for Sept. 8 on S. 640, a product-liability bill introduced by Sen. Robert W. Kasten Jr., R-Wis. The measure calls for creation of uniform federal rules for determining liability for product-related injuries.

The momentum that would be gained from passage of this bill by the U.S. Senate would be critical to its passage in the House of Representatives. President Bush is in favor of the bill.

The U.S. Chamber of Commerce supports S. 640 because it would create uniform, rational, predictable, and fair boundaries for liability and damage awards.

Contact your senators immediately to urge support for S. 640. The Senate vote may come as early as Sept. 8. The Senate's main switchboard number is (202) 224-3121.

## The Delaney Clause Needs Updating

A recent federal court ruling that in effect bans more than 30 common pesticides from use in food production could spur Congress to consider revising a badly outdated law.

The court ruling would force manufacturers of hundreds of brand-name products to remove minuscule, harmless amounts of chemicals from their products.

The 9th U.S. Circuit Court of Appeals on July 8 strictly interpreted the Delaney Clause, a 1950s-era federal law prohibiting any amount of a suspected cancer-causing agent in food.

At the time that the Delaney Clause was written, scientific and technical knowledge limited detection of carcinogens in food to 1 in 10,000 parts. Current technology, however, permits routine detection in parts per billion—concentrations that often pose no health concerns whatsoever—thereby making the Delaney Clause obsolete.

The court took the law at face value, however, and told Congress that if it meant something else, it should say so.

The U.S. Chamber of Commerce supports food-safety legislation that is based on uniform, science-based risk assessment rather than on any hyperbole and fear.

Many products currently on the market do contain carcinogens in extremely minute amounts, which have been previously determined to be of no danger to consumers.

Consumers will ultimately suffer if U.S. food producers do not have access to safe, affordable pesticides, which are necessary to maintain the United States' position as producer of the most healthful and abundant food supply of any nation.

Contact your senators and representative to urge support for revision of the Delaney Clause to reflect current scientific knowledge and technological abilities.



## Reject The Treaty On Global Warming

The Senate may soon consider an ill-advised treaty on global climate change, which emerged from the recent "Earth Summit" in Rio de Janeiro. In an effort to stabilize gas emissions that ostensibly cause the greenhouse effect—which may or may not pose a threat—the treaty would restrict energy consumption and economic growth.



The treaty contains development principles, an environmental "action plan," an agreement on forestry-management principles, protection for endangered species, and a flexible, country-by-country framework for global climate change. It must be ratified by at least 50 countries before it becomes an official international agreement. President Bush succeeded in keeping targets and timetables out of the agreement.

Prior to the Rio summit, the House and the Senate both considered global climate change as part of the national energy bill and rejected it.

Proponents of global-climate-change legislation claim that the entire planet faces a crisis of overwhelming proportion and that we must act now to prevent further global warming. However, the U.S. Chamber of Commerce believes that while possible global climate change is cause for concern, central questions regarding the extent of the warming, the nature of its effects, and how soon it may occur remain unanswered. Scientists are divided on these questions.

Further research is needed, and any action must make sense on its own merits. The wrong global-warming policies could cause much more harm than good.

Contact your senators to urge opposition to ratification of the Rio treaty on global climate change. Congressional support should be extended to only global-climate-change legislation that is based on extensive research and that does not hamper economic growth.



# Editorial

## "Affirmative Information And Thought Regarding Our Progress As A Nation"

Eighty years ago, a presidential commission proposed that the chaotic arrangement then passing for a federal budget process be transformed into a centralized, efficient system.

The result, said President William Howard Taft in endorsing the recommendation, would be "a clear-cut, concise, understandable statement" of federal finances.

Taft was quoted in the first issue of *The Nation's Business*, a newspaper that had been launched by the newly formed Chamber of Commerce of the United States to "set forth periodically affirmative information and thought regarding our progress as a nation." The date of that issue: Sept. 2, 1912.

Taft had played the key role in the creation of the U.S. Chamber when he cited the need for a single entity through which government could deal with American business at the national level.

Government finance was a key concern of the new organization and its publication. *The Nation's Business* tracked the Taft budget recommendation over the ensuing years.

The budget-reform plan was still a major subject in November 1915, when the publication was converted from a newspaper to a magazine (the photo shows the first issue in each format; "The" was dropped from the title in 1925). An article in that 1915 issue suggested that the budget proposal would permit "a business-like comparison" of overall revenues and expenditures. That would be achieved by substituting a comprehensive budget plan submitted to Congress by the president for the practice under which each federal agency dealt directly with its related congressional committee.

(It was also held that the proposed approach would "lead to real public understanding of the functions of the federal government," but prospects for achieving that goal have obviously receded substantially since 1915.)

The budget policy proposed in 1912 was finally adopted in 1922. We were still around more than 50 years later to report on the adoption of yet another budget-reform plan. It was, ironically, debated in much the same terms as those used in the 1912-22 consideration of the presidential budget plan—the need to centralize the consideration of individual

appropriations bills and relate the total to available revenues.

And the subject of efficiency and economy in government remains one of our major areas of coverage as we observe our 80th anniversary. We continue to monitor and report as government officials struggle with what appears to be an unending challenge of taming the federal budget.

But much has obviously changed in those 80 years. Fifteen presidents have occupied the White House over the history of the U.S. Chamber of Commerce and *Nation's Business*.

The 1912 budget that produced Taft's concern was \$690 million; the equivalent sum in today's dollars runs the federal government for about three days.

Two World Wars and many regional conflicts, the rise and fall of communism, and vast economic, social, and cultural changes are among the other developments since 1912.

But some basics endure. A statement of purpose in the first issue of this publication declared:

"The nation's business is to learn the extent of our resources and to understand the interests of our population, without whose activities resources have no value.

"The nation's business is to regard the use of our resources as better than either waste or disuse and therefore to move for conservation that shall safeguard the future while serving the present.

"The nation's business is to believe that all who render service are entitled to reward and to implant the element of hope and courage in every human being who ... is doing his duty well.

"The nation's business is to safeguard from exploitation all who come from foreign lands to throw in their lot with us and to impart immediately to their children the sense of actual inheritance in all the deeds and growth and successes that have been ours since we first breathed the breath of life as a nation.

"The nation's business is to place before each American child such educational opportunities as can prepare it for the battle of life.

"The nation's business is to work for unity of purpose in a variety of tasks; to seek to produce one spirit of patriotism ... and to look forward to more cohesiveness and riper judgment in the years that yet stretch before a nation so young."

Eighty years later, this mission is still a sound one.





# Free Spirited Enterprise



## On The Cheap

You can live beneath your means—and you can do it without suffering. Financial planner Jonathan D. Pond tells how in his book *1001 Ways To Cut Your Expenses* (Dell).

The book covers penny-pinching practices at home and at work. Pond gives tips on various matters such as finding low-cost rental space and working from home, when to be firm in collection efforts and when to slow down, and what kind of computer products to buy.

"Think twice before starting a business," Pond advises. Most would-be entrepreneurs don't realize that "owners of failed or struggling businesses often end up wiping out a lifetime's worth of savings."

The book costs \$8. Penny pinchers can borrow it from the library.

## Medical SOS

Many medical centers, insurance companies, and other businesses are offering a new medical benefit: They are giving their employees and customers a medical data card.

Made by **LensCard Systems**, of Salt Lake City, the LensCard gives a medical history on a credit-card-size flexible plastic card. The LensCard has a microfilm medical record at one end and a magnifying lens at the other.

To produce the microfilm, a person fills out an 11-by-17-inch sheet of paper with pertinent medical information, such as allergies, medications used, and health problems. LensCard Systems transfers the information to a small microfilm sheet. In an emergency, medical personnel fold the card where indicated to read the microfilm with the

By Janet L. Willen

lens. LensCard will customize the card for businesses, and it can include photographs. For more information, call 1-800-441-3255.

## Creature Comforts

Good eating extends to dogs at **The Pierre**, the venerable New York hotel.

Dogs accompanied by their owners are welcomed with a bone-shaped dog biscuit with their name in edible letters. And when Fido wants more, room service will deliver dog food or a selection from the gourmet menu.

Who says it's a dog's life?

## Space Saver

You can add some color to your company's handicapped-parking spaces with the Handicap Logo Kit.

The kit, from **Dunlap's Safety Buttons**, of Dallas, shows how to mark the regulation handicapped logo on parking spaces using plastic disks, called buttons, instead of paint.

This traffic-control product contains 23 melamine-plastic red, white, and blue high-impact buttons; epoxy glue; a stencil; and an instruction sheet. The stencil shows you where to place the buttons to install a logo that measures 39 inches by 37 inches. The buttons are 4 inches across and



approximately a half-inch high. Dunlap's says the buttons are break- and chip-resistant and won't crack or stain.

The kit costs \$54. For more information, call (214) 331-2291.

## Fax On Dining

When you're looking for a place to eat, look to your fax. **Merchant Communications**, of Homewood, Ill., offers menus by fax for registered restaurants in 100 of the largest U.S. cities.

To use Fax-a-Menu, call (708) 206-3000 for a free listing of registered restaurants in your area. Then when you want a menu, call the 800 number assigned to the restaurant that interests you and give your fax number. Within seconds you'll get a menu—and sometimes directions, reviews, and coupons—by fax.

A 500-page directory of all registered restaurants in the U.S. will be available in October. The directory costs \$9.95 and can be ordered by calling 1-800-528-MENU.

Restaurants that register with Merchant Communications pay one dollar for each page the company faxes for

them. Usually there are one or two pages in each fax. There are no registration fees.

## Business As Usual

Airline travel doesn't have to keep you from your work.

**FlightLink**, a communications system from **In-Flight Phone Corp.**, of Oakbrook Terrace, Ill., lets you stay in touch in a variety of ways no matter how high you fly.

FlightLink is a digital air-to-ground and satellite system with a telephone and interactive computer video screen at each passenger seat. It lets airline passengers send faxes, make phone calls, connect laptop computers via modem to ground-based systems, get stock quotes, and play computer games without leaving their seats.



In most airplanes that have FlightLink, the telephone handset is under the arm rest, and the screens are on seat backs, just above the drop tables. The telephone handset is the control for operations on the screen. To send a fax, you can hook the phone to your portable fax or use a control on the handset to operate a cursor on the screen. For all services, you pay by major credit card that slides into the handset.

In-Flight says FlightLink is now available on certain domestic and international flights from USAir, Northwest, and Saudi Arabian Airlines. For more information, call (708) 573-2660.





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\*1992 EPA estimated mileage figures for the 4-cylinder Camry Sedan with 5-speed manual overdrive transmission (22 city/29 highway MPG) and for the V6 Camry Sedan (18 city/25 highway MPG).

\*\*The Camry features a driver-side air bag Supplemental Restraint System (SRS) which activates in a front-end accident of enough magnitude to inflate the bag. In a moderate collision, primary protection is provided by the 3-point lap and shoulder belt system, and the air bag may not inflate. So, safety belts should be worn at all times by all occupants. Get More From Life... Buckle Up! © 1991 Toyota Motor Sales, U.S.A., Inc.



# INDEPENDENCE LIVES ACROSS THE USA

## IN AN ECONOMY BUILT ON DIVERSITY AND INDIVIDUAL EFFORT, YOU WANT AN INSURANCE AGENT WHO THINKS LIKE YOU DO— INDEPENDENTLY

Let's face it: no one insurance company is likely to have all the right insurance choices for every business need in America.

To exercise true independence and freedom of choice, you want an insurance agent who thinks independently—not on behalf of a company that employs its own sales force. However professional those sales people may be, they can offer you coverages only from the company they work for.

Independent insurance agents work for you. And their obligation is to help you find the right policy for your needs. From the right company. And at the right price.

Put that independent thinking and freedom of choice to work for you. Check the Yellow Pages and establish a relationship with an independent agent today—to get the right insurance choices in the future.



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*It pays to make the independent choice.*